COMMODITY REVIEW AND OUTLOOK: 1979-80

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS

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FAO COMMODITY REVIEW AND OUTLOOK

1979-1980

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
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The Review is prepared in the Commodities and Trade Division of the Economic and Social Policy Department, FAO, and draws on information available to FAO up to December 1979. Unless otherwise stated, the metric system is used throughout. For an explanation of statistical coverage, definitions and symbols used, see the General Note on Statistics.

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FOREWORD

The value of world exports of agricultural, fishery and forestry products rose by $20 billion in 1978 and set a new record at $214 billion. Prospects point to further advances in 1979 and 1980, probably to double the level of 1973. An accelerating trend is crucial for agricultural exporting countries, and especially for developing countries which depend heavily on agricultural exports to pay for their imports. Indeed, such exports contribute over 40 percent of the developing countries' total foreign exchange earnings, excluding petroleum. Yet the detailed facts and figures which underlie recent changes at the global level - analyzed in Chapters I and II of this FAO Commodity Review and Outlook - reveal several disquietening developments.

The agricultural, fishery and forestry products export earnings of the developing countries increased in 1978 but the rise was very modest - only 3 percent. The harsh fact is that the purchasing power of these exports, eroded by the rapid inflation in the prices of their imports, declined by one tenth. At the same time, the agricultural import needs of developing countries have continued to increase rapidly. In part this reflects their growing industrialization, which entails more imports of raw materials such as cotton and hides and skins. But it also underlines the deplorable increase in their dependence on imports of foodstuffs, mainly from developed countries, which accounted for the major part of the additional bill.

The developing countries, as a group, had managed to maintain a growing positive balance in their agricultural trade with the rest of the world over the seventies. But the growth had been slow and recent figures show a sharp and widespread deterioration in this balance. It contracted by 25 percent in 1978, even ignoring the erosion in purchasing power. As a result, the ability of many developing countries to finance imports of non-agricultural products which are vital to their general economic development has been seriously curtailed.

The developed countries have been more successful in raising their agricultural export earnings, partly because of their greater capacity to expand their exportable supplies and partly because of the more favourable prices of the commodities exported. Thus, the growth in their exports - 14 percent in 1978 - was greater than for the developing countries although, even so, the real value of their earnings fell compared with 1977.

At the same time, the developed countries are providing a growing import market for agricultural products, but in this case the overall growth in the volume of trade is sluggish. This partly reflects the fact that consumption of some imported tropical products is approaching saturation point in a number of major developed markets. But the slow growth also reflects the serious import barriers which face both developing and developed exporters.

As the Review sombrely points out in a special survey of agricultural protectionism in Chapter III, in recent years there has been a further spread of protectionist policies, which are enormously costly both to exporting countries which are denied market outlets as well as to consumers and taxpayers. The international community has a common interest in resisting trade restrictive measures against agricultural and processed products, which in the long run are self-defeating and risk the imposition of retaliatory measures.

Great hopes had been placed on the outcome of the GATT Multilateral Trade Negotiations (MTNs), as a crucial vehicle for liberalizing trade. A preliminary FAO assessment contained in this Review concludes that the MTNs should be beneficial to the future growth of

agricultural trade as a whole, but stresses that the results are much more modest for agricultural trade than for trade in manufactures. Tariff concessions were made on 30 percent of dutiable agricultural imports, but this compares unfavourably with the concessions made on nearly 60 percent of dutiable industrial imports. The results of the negotiations on non-tariff measures were also less significant for agriculture than for manufactures. Generally, the agreed codes do provide significant opportunities to reduce trade distortions and efforts have been made to ensure more liberal provisions for developing than for developed countries. Nonetheless, one basic objective - to secure a substantial increase in the exports of developing countries - seems unlikely to be achieved. There is, therefore, much work which remains to be done for the common benefit of producers and consumers.

I believe that the MTNs must be seen as a beginning, not an end, to further progress in liberalization of agricultural trade. Effective follow-up action must be taken to the World Conference on Agrarian Reform and Rural Development held in Rome in July 1979, at which the developed countries agreed to move towards the progressive reduction and elimination of tariff and non-tariff barriers to the entry of agricultural and rural products, both raw and processed, of particular interest to developing countries.

This year, the FAO Commodity Review and Outlook looks ahead - in Chapter IV - to the enlargement of the European Economic Community from nine to twelve countries, which is envisaged over the next few years. In view of the important position of the EEC as one of the major trading blocks in the world, there is widespread interest in the possible consequences of its enlargement for agricultural trading opportunities. The assessment concludes that enlargement should encourage production and trade among the twelve countries, not only in "Mediterranean" products which have been the main focus of most of the discussion to date, but also in such commodities as grains and livestock products. The FAO study points, however, to a danger that trade losses may be experienced by third countries. I trust that every effort will be made to avoid any such negative effects.

Stabilization of world commodity markets is an essential counterpart to trade liberalization. An international rubber agreement, with some novel features, has now been successfully negotiated under the UNCTAD Integrated Programme for Commodities, the sugar agreement has entered into force, and progress is being made towards establishment of the UNCTAD Common Fund. However, I am seriously concerned that some major producing and consuming countries have still not joined the International Sugar Agreement and that the negotiations on cocoa and on grains have come to a halt, thus exposing trade to further uncertainty and instability.

The problems posed by these trends in agricultural commodity trade call for continuing attention, particularly to reduce the dependence of the developing countries on imports of foodstuffs and also to enable them to participate more equitably in the growth of world agricultural exports. This will require not only the implementation of agreements already reached for liberalizing trade, but also vigorous action to resolve important trade issues which still remain, especially the elimination of tariff and non-tariff barriers on products of export interest to developing countries. Finally, there is an urgent need for greater investment to accelerate food production in the developing countries, to raise their export supplies of agricultural products and to improve their competitive position in world markets.

EDOUARD SAOUMA
DIRECTOR-GENERAL

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GENERAL NOTE ON STATISTICS

All data for 1979 and 1979/80 are preliminary and subject to revision. Production is given on a calendar year basis for those crops (e.g. rice, tea or rubber) for which the original data are reported by calendar years. In the case of other crops, a split year (e.g. 1979/80) is used: this refers either to a general harvest period running from the northern hemisphere spring or summer of the first year stated through the first part of the second year stated, or to a special crop year applying to the commodity in question (e.g. August-July for cotton, or July-June for jute and allied fibres). Exports and imports are shown for the calendar year stated, unless otherwise specified.

The following symbols are used :

1979/80 :	Crop or marketing year
1974-76 :	Average for the three calendar years
-	None or negligible
...	Not available

One billion equals 1 000 million

CHAPTER I - GENERAL REVIEW OF THE COMMODITY MARKET SITUATION AND INTERNATIONAL ACTION

THE COMMODITY SITUATION IN 1978 AND 1979

Highlights

- The value of world exports of agricultural, fishery and forestry products rose by about 10 percent to U.S.$214 billion in 1978. The increase was well below the average achieved in the preceding decade because of a marked slowdown in the rise of international agricultural commodity prices.

- The slight rise in agricultural commodity prices coincided with a major upswing in export prices of manufactures, and the terms of trade of agricultural exporters fell sharply in 1978, with no improvement in the first half of 1979.

- Export income from agricultural products in 1978 was U.S.$46 billion greater than in 1970 in terms of its purchasing power over manufactured exports. But, compared with 1977, it fell by U.S.$6 billion in real terms in spite of the $20 billion growth in nominal terms.

- After two years of substantial expansion, there was a marked slowdown or actual downturn in world output of many agricultural commodities during 1979.

- As crop shortfalls and other production setbacks affected in the first place principal importing countries, demand on world agricultural commodity markets was generally strong in 1979 and the volume of world trade rose further.

- Preliminary indications suggest a continuing upward trend in the value of world agricultural trade in the short term. International prices of most agricultural commodities continued to advance or remained strong in the last quarter of 1979. The supply and demand prospects indicate higher volumes of trade in a number of important agricultural commodities, notably cereals.

- The short term outlook for prices was unusually uncertain at the end of 1979. Stocks of many commodities were relatively low or were expected to decline, but depressed economic conditions could curb demand. Continuing high rates of inflation and volatility of world currency markets could contribute to widespread price instability in 1980.

TABLE 1 - AGRICULTURAL PRODUCTS: IMPORT VALUE, UNIT VALUE AND VOLUME, WORLD AND MAJOR COUNTRY GROUPINGS, 1969-71 AV., 1977 AND 1978 1/

	1969-71 average	1977	1978
VALUE (million U.S.$)			
Total	55 979	165 985	187 087
Developing	10 631	36 926	43 586
Developed	45 348	129 059	143 501
UNIT VALUE (Index)			
Total	100	239	250
Developing	100	225	236
Developed	100	242	254
VOLUME (Index)			
Total	100	127	136
Developing	100	158	183
Developed	100	120	125

1/ Excluding fishery and forestry products.

Large increase in volume of agricultural exports in 1978 but sharp decline in their terms of trade

The value of world exports of agricultural, fishery and forestry products rose by about 10 percent to U.S.$214 billion in 1978. The increase was well below the average of 16 percent achieved in the preceding decade. It was also little more than half the average annual increase obtained over the same period in world merchandise trade as a whole, valued at $1 300 billion in 1978. The share of agricultural, fishery and forestry products in world merchandise trade thus fell further to about 17 percent, compared with 25 percent in the mid sixties. The value of world exports of agricultural products alone reached $169 billion in 1978, after a below average increase of 12 percent.

TABLE 2 - SELECTED INDICATORS OF AGRICULTURAL COMMODITY TRADE

	Region	1969-71 average	1973	1974	1975	1976	1977	1978
I. AGRICULTURE, FISHERY, FORESTRY								
1. Total exports (000 million U.S.$)	World	65	123	153	154	171	194	214
	(Share 1/)	21	21	18	18	17	17	17
	Developing	20	35	45	44	52	62	64
	Developed	45	88	108	110	119	132	150
II. AGRICULTURAL PRODUCTS 2/								
2. Total agric. exports (000 million U.S.$)	World	51.0	95.3	117.6	121.9	131.4	151.0	169.2
	Developing	18.3	29.9	38.5	38.2	44.1	53.5	55.2
	Developed	32.7	65.4	79.1	83.7	87.3	97.5	114.0
3. Volume of agric. exports (1969-71 = 100)	World	100	121	115	116	126	129	138
	Developing	100	110	101	102	113	112	114
	Developed	100	130	125	128	137	142	155
4. Unit value of agric. exports (1969-71 = 100)	World	100	156	208	212	207	236	244
	Developing	100	146	208	206	211	272	264
	Developed	100	162	208	213	202	210	227
5. Terms of trade of agric. exports (1970 = 100)	World	100	117	128	116	113	119	107
	Developing	100	110	128	113	115	137	116
	Developed	100	122	128	117	110	106	100
6. Total agric. imports (000 million U.S.$)	Developing	10.6	19.5	30.3	32.2	31.5	36.9	43.6
	- non oil	8.7	15.4	23.0	22.8	22.6	24.9	29.6
	Developed	45.3	82.1	97.6	104.7	113.4	129.1	143.5
III. FOOD 3/								
7. Total food exports (000 million U.S.$)	Developing	9.5	15.7	23.5	24.1	23.3	26.9	29.6
	Developed	22.7	46.3	57.3	63.2	63.3	67.9	80.4
8. Total food imports (000 million U.S.$)	Developing	7.9	14.9	24.3	26.1	24.1	27.7	33.6
	- non oil	6.4	11.5	18.1	18.1	16.8	17.8	18.7
	Developed	27.3	50.5	63.1	71.7	71.7	77.0	88.9
9. Food aid shipments 4/ (cereals, million tons)	Developed	12.7	5.7	8.4	6.9	9.1	9.4	9.5
10. Food export price index 5/ (1970 = 100)	World	100	175	232	219	215	244	248
11. Terms of trade of food exports (1970 = 100)	World	100	132	143	120	117	123	109
IV. BEVERAGES								
12. Total beverage exports (000 million U.S.$)	World	6.4	10.2	10.8	11.9	16.0	23.4	22.7
13. Export price index (1970 = 100)	World	100	130	155	159	264	449	323
14. Terms of trade of beverage exports (1970 = 100)	World	100	98	96	87	144	225	142
V. AGRICULTURAL RAW MATERIALS								
15. Total exports (000 million U.S.$)	Developing	4.7	7.6	8.6	7.4	9.2	9.8	10.5
	Developed	6.5	11.9	14.0	12.6	14.8	18.1	20.3
16. Total imports (000 million U.S.$)	Developing	1.9	3.3	4.4	4.1	5.0	6.2	7.0
	Developed	10.6	18.0	20.4	18.3	21.8	24.2	27.0
17. Export price index 6/ (1970 = 100)	World	100	196	224	196	218	241	255
18. Terms of trade of raw materials exports (1970 = 100)	World	100	147	138	108	119	121	112

1/ Share of total merchandise trade, in percent. 2/ Excluding fishery and forestry products. 3/ Excluding fish. 4/ Split-year, beginning 1 July of year stated. 5/ U.N. index for all market economy countries. 6/ U.N. index for agricultural non-food commodities, for all market economies.

Agricultural products accounted for a high proportion of the export earnings of developing countries, although the faster rate of growth of the export trade in manufactures and other non-agricultural goods led also in their case to a gradual, longer-term decline in the relative importance of agricultural exports. Leaving aside the oil exporting countries, the share of agriculture, fisheries, and forestry in the combined merchandise exports of the developing countries amounted to 37 percent in 1978 compared to 49 percent on the average during 1969-71.

The relatively small growth of world agricultural export earnings in 1978 was due to a marked slowdown in the advance of the dollar unit value of these exports, by only 3.4 percent compared with 14 percent in the previous year. The volume of trade, however, rose by 7 percent. This was twice the annual rate obtained on the average since the mid sixties.

TABLE 3 - AGRICULTURAL PRODUCTS: EXPORT VALUE, UNIT VALUE AND VOLUME, WORLD AND MAJOR COUNTRY GROUPINGS, 1969-71 AV., 1977 AND 1978 1/

	1969-71 average	1977	1978
VALUE (million U.S.$)			
Total	51 040	150 998	169 159
Developing	18 324	53 528	55 221
Developed	32 715	97 469	113 938
UNIT VALUE (Index)			
Total	100	236	244
Developing	100	272	264
Developed	100	210	227
VOLUME (Index)			
Total	100	129	137
Developing	100	112	114
Developed	100	142	155

1/ Excluding fishery and forestry products.

Underlying the modest increase in the global unit value of agricultural exports, were the moderate rises in export unit values of wheat and coarse grains, and the decline in unit values of some other commodities, including oilmeals, soybeans, some fibres, tea and pepper. By contrast, there was a major fall in the unit value of coffee exports. These changes broadly followed corresponding movements in international market prices, although there are time lags involved so that several months may elapse before price movements are fully absorbed in export unit values. Thus, while international cocoa prices fell substantially in 1978, the average export unit value for the year was a record, showing the lagged effect of the high market prices obtaining in 1977. Similarly, export unit values of grains had not yet reflected the full extent of the 1978 price increases.

The unusually large expansion of the volume of world agricultural trade in 1978 was mainly the result of another substantial rise in exports of basic food and feedstuffs, particularly wheat, coarse grains and soybeans. The developing countries were again the main outlets for increased exports of foodstuffs. Their wheat imports rose by more than one quarter to 43 million tons, nearly 60 percent of world wheat imports in 1978. Imports of vegetable oils by developing countries also rose sharply in 1978, representing almost 40 percent of world trade. On the other hand, world gross sugar imports declined by 2.3 million tons to 25.3 million tons because of the fall in imports of developed countries, which reflected their heavy carryover stocks and generally favourable domestic harvests.

TABLE 4 - DEVELOPING COUNTRIES (OIL IMPORTERS): EARNINGS FROM AGRICULTURAL 1/ AND ALL MERCHANDISE EXPORTS

	1969-71 average	1977	1978
	(. . million U.S.$ . .)		
ALL DEVELOPING COUNTRIES 2/			
All merchandise	36 958	136 660	153 349
Agricultural products	18 019	55 127	56 382
Share of agric. (%)	49	40	37
DEVELOPING MARKET ECONOMIES			
All merchandise	33 046	119 280	130 246
Agricultural products	16 674	51 752	52 594
Share of agric. (%)	50	43	40

1/ Including fishery and forestry products.
2/ Oil importing developing market economies and Asian centrally planned countries.

Rising demand for livestock products in eastern Europe and the U.S.S.R. led to further large increases in feedgrain imports by these countries. Grain import requirements of the U.S.S.R. have fluctuated widely from year to year. Its imports, mainly of maize, rose by nearly 9 million tons to 20 million tons in 1978, after a 45 percent drop in the previous year.

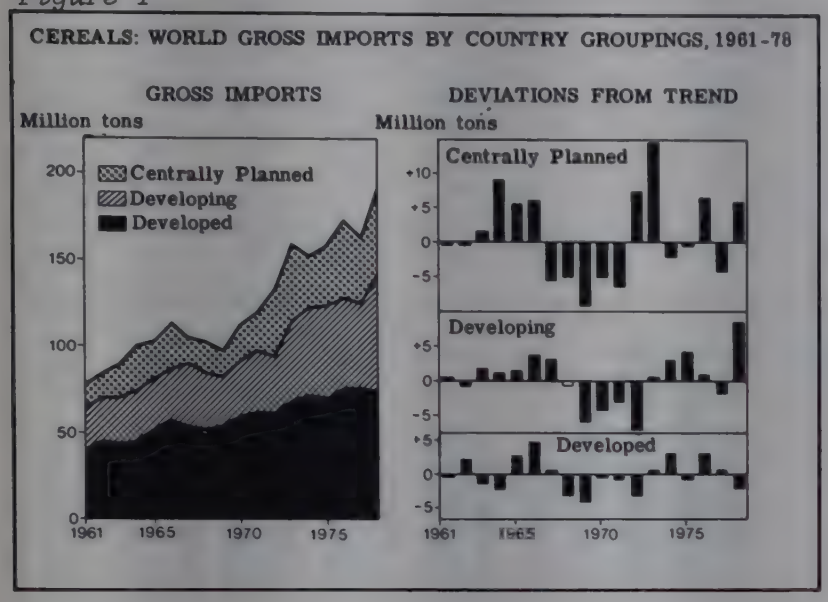
TABLE 5 - VALUE OF AGRICULTURAL EXPORTS, INCLUDING FISHERY AND FORESTRY PRODUCTS, 1977 AND 1978

MAIN AGRICULTURAL COMMODITIES	World			Developed 1/			Developing 2/		
	1977	1978 (prelim.)	Change	1977	1978 (prelim.)	Change	1977	1978 (prelim.)	Change
	(million U.S.$)		%	(million U.S.$)		%	(million U.S.$)		%
Sugar, beverages and tropical products	24 994	24 698	- 1	2 585	2 359	- 9	22 409	22 339	-
Sugar	7 600	7 500	- 1	2 530	2 300	- 9	5 070	5 200	3
Coffee	10 889	9 821	-10	-	-	-	10 889	9 821	-10
Cocoa 3/	3 641	4 588	26	-	-	-	3 641	4 588	26
Tea 4/	1 545	1 290	-17	-	-	-	1 545	1 290	-17
Bananas	1 084	1 250	15	55	59	7	1 029	1 191	16
Pepper	235	249	6	-	-	-	235	249	6
Oilseeds, fats and oils, oilcakes and meals	21 650	24 380	13	14 340	17 270	20	7 300	7 110	- 3
Oilseeds	7 320	8 300	13	5 490	6 670	21	1 840	1 630	-11
Fats and oils 5/	9 760	11 240	15	6 680	7 890	18	3 090	3 350	8
Oilcakes and meals 6/	4 560	4 840	6	2 180	2 710	24	2 380	2 130	-11
Cereals and livestock products	41 350	49 793	20	35 406	43 249	22	5 944	6 544	10
Rice	2 856	3 274	15	980	1 218	24	1 876	2 056	10
Wheat	9 187	11 285	23	8 464	10 641	26	723	644	-11
Coarse grains	9 563	11 602	21	8 141	9 973	23	1 422	1 629	15
Meat	12 760	15 017	18	10 957	12 917	18	1 803	2 100	16
Bovine meat	4 870	6 011	23	4 105	5 063	23	765	948	24
Sheep and goatmeat	921	1 060	15	804	913	14	117	147	26
Pigmeat	2 106	2 400	14	1 990	2 332	17	116	68	-41
Poultry meat	1 176	1 355	15	1 081	1 228	14	95	127	34
Other meat	1 015	1 251	23	758	909	20	257	342	33
Prepared and canned meats	2 672	2 940	10	2 219	2 472	111	453	468	3
Milk and milk products	6 984	8 615	23	6 864	8 500	24	120	115	- 4
Butter	1 777	2 279	28	1 758	2 267	29	19	12	-37
Cheese	2 569	3 066	19	2 523	3 019	20	46	47	2
Milk powder and other milk products	2 638	3 270	24	2 583	3 214	24	55	56	2
Agricultural raw materials	10 423	10 876	4	4 488	4 797	7	5 935	6 079	2
Cotton	6 043	5 958	- 1	3 090	3 113	1	2 953	2 845	- 4
Jute, kenaf and allied fibres	132	182	38	-	-	-	132	182	38
Hard fibres	161	148	- 8	-	-	-	161	148	- 8
Rubber	2 600	2 800	8	-	-	-	2 600	2 800	8
Hides and skins	1 487	1 788	20	1 398	1 684	20	89	104	17
Other agricultural commodities	7 497	9 310	24	5 561	7 070	27	1 936	2 240	16
Citrus fruit	1 695	2 000	18	1 191	1 427	20	504	573	14
Wine	2 755	3 501	27	2 609	3 323	27	146	178	22
Tobacco	3 047	3 809	25	1 761	2 320	32	1 286	1 489	16
FISHERY PRODUCTS	9 483	11 195	18	5 911	7 190	22	3 572	4 005	12
FORESTRY PRODUCTS	33 395	37 185	11	28 525	31 673	11	4 870	5 512	13
Roundwood	5 307	5 603	6	2 950	3 070	4	2 357	2 533	7
Processed wood products	10 975	12 809	17	8 861	10 299	16	2 114	2 510	19
Pulp and paper	17 113	18 773	10	16 714	18 304	10	399	469	18
GRAND TOTAL 7/	193 820	214 125	10	131 904	150 404	14	61 916	63 721	3

1/ Including Eastern Europe and U.S.S.R. 2/ Including Asian Centrally Planned Economies. 3/ Including cocoa products. 4/ Net exporting countries other than China and Viet Nam. 5/ Excluding butter (shown separately) and marine oils (included in fishery products). 6/ Excluding fish meal (included in fishery products). 7/ Includes value of exports of other agricultural products not shown separately.

There were also marked recoveries in world trade in coffee, cocoa and some agricultural raw materials, notably cotton and jute. Recovery in the world textile industry, improved competitive position against synthetic substitutes, and demand for stocks were among the factors which strengthened world import demand for agricultural raw materials. Moreover, the industrializing developing countries provided rapidly growing outlets, especially for fibres and raw hides and skins.

Figure 1



The very small increase in export prices of agricultural products coincided with a 15 percent rise in export prices of manufactured goods, so that the terms of trade of agricultural exports, particularly of developing countries, against manufactured goods fell sharply in 1978. The increases in export prices of agricultural products in the first half of 1979 were almost entirely offset by corresponding advances in export prices of manufactures; consequently there has been no significant improvement in the terms of trade of agricultural commodity exporters up to mid 1979.

Purchasing power of export earnings drops in 1978

There had been a sizeable rise in the purchasing power of agricultural exports over the past ten years. In terms of their purchasing power over imports of manufactures, the increase amounted to U.S.$46 billion between 1969-71 and 1978. This was, however, only a fraction of the nominal increase of $150 billion, as inflation in the prices of manufactures offset most of the gains in current terms.

In contrast to the longer-term trend, the major increase in export prices of manufactured products during 1978, combined with the slow growth in the prices of agricultural exports, resulted in a drop of nearly 4 percent in real agricultural export income at the world level. The developed agricultural exporting countries were able to maintain their real earnings by substantially expanding the volume of exports. On the contrary, the quantity of the developing countries' exports rose by only 2 percent. Thus the decline in the prices of their agricultural exports, relative to manufactures, resulted in a fall of 10 percent, or U.S.$6 billion, in their real income from agricultural products.

The export prices of manufactures reflected movements in domestic price levels of the exporting countries as well as in the value of the U.S. dollar, the currency of denomination. In 1978, the rate of inflation in the OECD countries was about 8 percent, while the value of the U.S. dollar declined by some 7 percent against the basket of currencies constituting the special drawing rights (SDRs) of the International Monetary Fund. Thus, the rate of domestic inflation was magnified in the prices of manufactured exports by the continuing devaluation of the dollar.

TABLE 6 - VALUE OF WORLD EXPORTS OF AGRICULTURAL PRODUCTS, CURRENT AND DEFLATED 1/

	1969-1971 Av.	1977	1978	Av.annual increase 1969-78	Change 1978/1977
	(billion U.S.$)			(percent)	
CURRENT:					
World	65.4	193.8	214.1	18.3	10.5
Developing	20.6	61.9	63.7	18.1	2.9
Developed	44.8	131.9	150.4	18.5	14.0
DEFLATED 2/:					
World	124.8	177.8	171.3	4.4	- 3.7
Developing	39.5	56.8	51.0	4.0	-10.3
Developed	85.3	121.0	120.3	4.7	- 0.6

1/ Including fishery and forestry products.
2/ Deflated by the UN index of unit values of exports of manufactured goods (1975 = 100).

TABLE 7 - EXPORT PRICES OF AGRICULTURAL COMMODITIES AND OTHER PRODUCTS

	ANNUAL					QUARTERLY						MONTHLY	
	1974	1975	1976	1977	1978	1978 I	1978 II	1978 III	1978 IV	1979 I	1979 II	1979 July	1979 Aug.
	(. . . . . Indices 1975 = 100 . . . . .)												
Agricultural commodities													
All agric. commodities 1/	115	100	108	122	126	121	124	126	132	137	142	150	149
Food	111	100	105	120	122	121	121	120	126	127	131	141	139
Developing countries	119	100	117	165	140	146	141	133	140	133	140	156	151
Developed countries	107	100	99	100	114	110	112	113	119	124	127	135	133
Sugar	146	100	57	40	39	41	37	36	41	40	40	44	44
Beverage crops	105	100	177	321	231	247	233	216	226	200	218	261	248
Cereals	118	100	90	82	101	97	101	100	104	108	117	128	126
Meat	92	100	105	111	137	131	131	136	148	155	154	161	162
Dairy products	85	100	100	110	129	124	123	129	138	140	136	139	138
Fish	119	100	131	147	179	178	175	182	181	183	173	167	167
Agricultural non-food	120	100	112	124	132	122	129	134	141	150	158	163	163
Developing countries	130	100	118	132	146	133	141	150	160	164	174	181	181
Developed countries	113	100	108	119	123	116	122	125	130	141	148	152	151
Oilseeds, oils & fats	145	100	98	119	127	115	130	128	136	145	150	156	154
Textile fibres	121	100	121	122	123	116	120	124	131	130	133	137	137
Rubber	120	100	138	146	177	155	164	185	203	202	235	251	259
Hides and skins	116	100	146	162	204	169	189	219	238	332	399	357	335
Forest products	101	100	113	124	131	123	126	132	141	148	152	160	162
Other products													
Minerals	96	100	105	114	115	115	114	115	115	122	144	173	173
Crude fertilizers	77	100	71	58	52	54	51	51	51	53	53	53	53
Crude petroleum	100	100	106	117	117	117	117	117	117	126	150	184	184
Non-ferrous base metals	131	100	109	117	126	119	120	129	138	155	165	166	170
Manufactures 2/	89	100	101	109	125	119	122	127	132	135	135	...	...

Source: UN Monthly Bulletin of Statistics.

1/ FAO estimates derived from UN indices for food and agricultural non-food commodities.
2/ Unit value index.

The deceleration of growth in the world economy was accompanied in 1979 by a quickening of the rate of inflation: at mid year, forecasts pointed to an average increase of over 9 percent in the general price level in the OECD countries. There were widespread price increases also in developing countries and in eastern Europe and the U.S.S.R. At the same time, there was a slow-down in the depreciation of the U.S. dollar. Nonetheless, increases in the price of manufactured exports tended to offset the increases registered in agricultural commodity prices at least in the first half of 1979.

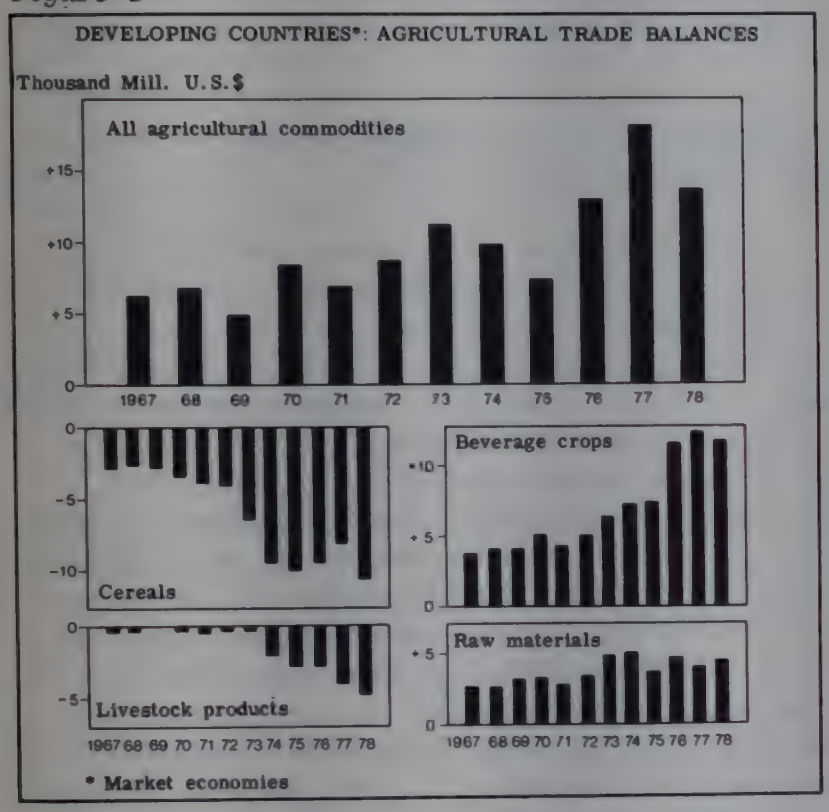
Trade balances of developing countries deteriorate markedly

There were unusually large changes in the balances of total merchandise trade of the developing countries during 1978, leading to a reduction of U.S.$23 billion, or more than 50 percent, in their combined overall trade surplus. The principal cause was the marked decline in their merchandise terms of trade, estimated at 11 percent. This was further aggravated by the slow-down in the growth of the volume of their exports. The balance of trade surplus of the

oil exporting countries in fact fell by U.S.$15 billion to $52 billion in 1978. At the same time, the deficit of the oil importing countries, which had remained at about $23 billion in 1976 and 1977, worsened to $31 billion.

The agricultural trade balances of each of the two groups of developing countries also deteriorated in 1978. The agricultural trade deficit of the oil exporting countries continued to increase, mainly reflecting rising imports. The agricultural trade surplus of the oil importers dropped by 14 percent. The deterioration in their case was overwhelmingly due to the weakness of the prices of sugar, beverage crops and agricultural raw materials, their main agricultural exports.

Figure 2



The agricultural trade balances of the developing countries also reflected a number of unfavourable longer-term problems. In particular, the agricultural export earnings of the developing oil importing countries continued to depend heavily on commodities subject to notably high price instability and slow growth of volume, such as sugar, tropical beverages and agricultural raw materials. Moreover, increased amounts of the earnings of these countries had to be expended on imports of foodstuffs, so that their ability to finance essential imports of manufactures, including capital goods, out of agricultural export earnings has been impaired. As a result, there has been a marked increase in the external indebtedness of the oil importing developing countries over the past few years.

Sugar and other tropical products (beverages, bananas, pepper) alone accounted for well over one third of the total agricultural export earnings of developing countries in the past two years. The share of the three beverage crops (coffee, cocoa and tea) was still about 25 percent. Their export earnings from these products have fluctuated on average by as much as 22 percent around their mean value since the mid sixties, even after account has been taken of their sharp upward trend. At the same time, the volume of exports of beverage crops rose at an average of only 0.3 percent per year and the volume of their exports of agricultural raw materials actually fell, by 0.5 percent per year. These figures contrast sharply with the average annual expansion of 3.6 percent in the volume of all agricultural exports at the world level, and more than 5 percent for those of the developed countries.

These trends in the volume of exports of the developing countries resulted from the slow increase in demand for beverages in many developed countries and access problems in others, notably in eastern European countries and the U.S.S.R. The demand for agricultural raw materials had suffered from the competition of synthetics. The growth of exports of the developing countries was also hampered by a slow increase in exportable supplies, partly on account of the rising requirements of domestic processing industries. Another major problem of the developing countries' export trade was their inability to take full advantage of opportunities in the expanding world trade in basic food and feedstuffs. This partly reflected the inadequate growth and diversification of their domestic agriculture, but barriers to trade in these products and agricultural protectionism also presented special problems.

On the side of imports, the volume of the developing countries' purchases of foodstuffs was rising rapidly. The value of these imports reached U.S.$34 billion in 1978, an increase of $26 billion since the beginning of the current decade. About $10 billion of the increase was due to the upward trend in food purchases of the oil importing developing countries; the rest reflected food imports of the oil exporters.

A further feature of the agricultural trade of developing countries was the markedly rising imports of raw materials. Their imports of these commodities tended upward at a rate of about 3 percent per year since the mid sixties, while

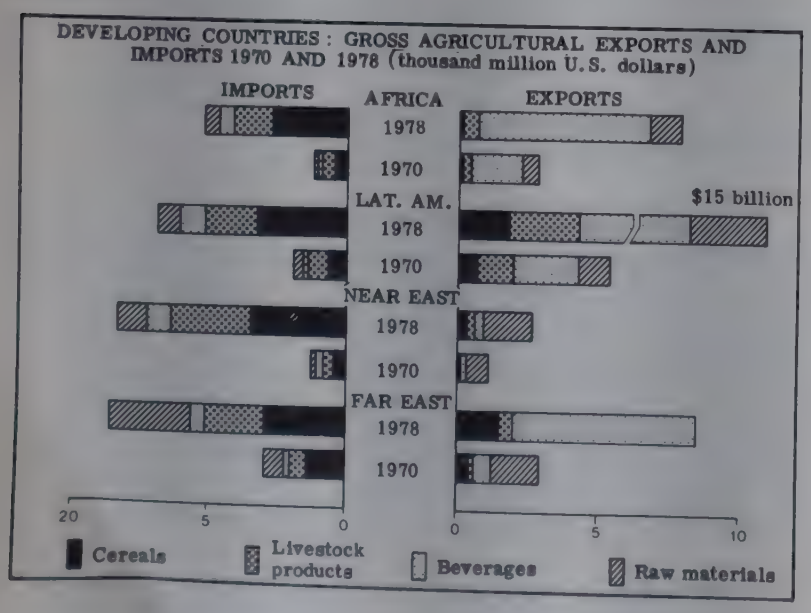
TABLE 8 - DEVELOPING COUNTRIES: TOTAL AND AGRICULTURAL 1/ COMMODITY TRADE BALANCES, 1969-71 AVERAGE, 1976, 1977 AND 1978

	TOTAL MERCHANDISE				AGRICULTURAL COMMODITIES			
	1969-71 average	1976	1977	1978	1969-71 average	1976	1977	1978
	(. . . . million U.S. $ . . . . .)				(. . . million U.S. $ . . .)			
All developing countries	- 506	48 654	43 839	21 082	7 966	14 265	18 689	13 771
Oil exporters 2/	7 073	71 580	67 137	51 983	336	- 4 891	- 6 891	- 8 311
Oil importers 3/	-7 579	-22 926	-23 298	-30 901	7 630	19 156	25 580	22 082
Market economies	-7 537	-24 681	-24 895	-31 297	7 587	19 216	26 946	23 789
Africa	- 507	- 2 966	- 3 127	- 4 479	2 026	4 350	5 945	5 116
Latin America	-1 585	- 7 056	- 3 845	- 4 497	4 474	12 677	17 288	16 731
Near East	-1 284	- 9 151	-12 096	-12 226	- 91	- 158	- 505	- 1 219
Far East	-3 695	- 4 662	- 4 990	- 9 104	576	2 381	4 036	2 966

1/ Including fishery and forestry products.
2/ OPEC member countries, Mexico, Trinidad and Tobago and Bahrain.
3/ Oil importing market economies and Asian centrally planned countries.

those of the industrialized countries were actually falling. The gross agricultural raw material imports of the developing countries were valued at about U.S.$7 billion in 1978 compared with $1.8 billion in 1970; at the same time, their combined surplus from raw material trade has remained unchanged at roughly U.S.$3 billion. These imports were necessitated mainly by the growing raw material needs of the industrializing developing countries and also reflected significant shifts in recent years of processing and manufacturing activities from developed to developing countries, especially in the textile, leather and footwear industries.

Figure 3



Reduced crops lead to higher prices and increased trade in 1979

Over the past two seasons, the world commodity situation had been characterized by large supplies of many commodities. These included cereals, oils and oilmeals, sugar and most livestock products. Supplies on world banana markets also expanded substantially and heavy exports continued in early 1979. P Production of wine and tobacco recovered in 1978 and output of pepper reached a new record. Among other commodities, world supplies of coffee and tea increased following temporary shortages in 1977. However, tight supplies and periodic shortages persisted into the current season on markets for some other commodities, notably agricultural raw materials such as hard fibres, hides and skins, rubber and cotton.

The 1979 crop estimates suggest significant reversals in the short-term market situation of a number of major agricultural commodities. The weather and other production conditions were far less favourable than in the previous year in several major producing countries, resulting in large crop losses and shortages of food and animal feedstuffs.

World sugar production has been forecast to fall from 90.6 to 88.4 million tons, raw value, in 1979/80, and stocks carried over from the previous year were likely to be drawn on to meet consumption requirements for the first time since 1972/73. The prospects for improvement in global supply/demand balance have prompted a marked

upturn in world free-market sugar prices beginning in August 1979; the International Sugar Organization indicator price reached U.S. cents 14 per lb in mid November and was within the International Sugar Agreement price range of 11 to 21 cents, raising the possibility of increased export quotas to the free market under the Agreement.

Frosts in August 1978 and June 1979 in Brazil greatly reduced the probability of further recovery in world coffee production in 1979/80 and possibly beyond. As a result, prices have increased again since June 1979. Although estimates pointed to a slight excess of exportable supplies over import requirements, the prospects were for continuing price volatility as stocks were at relatively low levels. After a much below average increase in 1978, world production of tea might - for the first time since 1952 - fall slightly short of the previous year's output. As imports rose markedly in 1979, partly because of re-stocking, the supply and demand position favoured the strengthening of prices which began in August 1979. The forecast decline in world pepper production from the previous year's record level was expected to relieve the downward pressure also on pepper prices.

Insufficient rainfall, increased pest damage and disruptions in agricultural production in several major rice consuming countries in the Far East, resulted in lower paddy production in importing countries by an estimated 11 million tons, or 7 percent, in 1979. While the impact of the shortfall can be cushioned in some of these countries by stocks, large imports will be needed in others to assure adequate supplies for consumption. There was a very sharp rise to record volume in world rice trade in 1979 as a result of poor crops in important consuming countries in late 1978 and early 1979. The upsurge in import demand reversed the downward trend in international rice prices and led to substantial recovery during 1979.

The 1979 wheat and coarse grain crops were estimated by FAO to be about 4 percent below the 1978 record. The U.S.S.R. and Europe accounted for most of the reduction. The world wheat production estimate stood at 420 million tons in late November, 30 million tons less than the 1978 crop. At the same time, the estimate of world production of coarse grains was 735 million tons, about 3 percent lower than the record output of 1978. In contrast to the 1978/79 marketing year, when a record volume of world trade was due to large imports by developing countries, further substantial expansion of world grain trade was underway in the 1979/80 season on account of the increased requirements of developed countries, particularly the U.S.S.R.

The sustained increases in world demand for cereals, combined with the production setbacks in 1979, was forecast to result in a decline of world stocks during the current marketing season. Most of the reduction will be in wheat and rice in importing countries.

The severe winter in the northern hemisphere, followed by drought in parts of eastern Europe and the U.S.S.R., resulted in further slow-down to less than one percent, in the expansion of world milk production in 1979. Stocks of dairy products, especially skim milk powder, were sharply reduced with the help of massive government subsidies and international prices rose in 1979. Nevertheless, the world dairy situation remained one of supplies exceeding commercial outlets, a situation with currently few parallels in international agricultural commodity markets.

There was another decline, to less than 2 percent in the rate of growth of world meat production in 1979, due to a reduction of 4 percent in beef and veal output.

The cyclical expansion of pig numbers and pigmeat production, together with higher output of poultry, were among the major factors which boosted world consumption of oilseeds and meals in 1978 and 1979. Another development in the feed sector favourable to the strong expansion of the world oilseeds economy, was the long cold winter and late spring in Europe, which increased the demand for compound feeds for dairy cattle. There was also increased use of vegetable oils in industry as many of these oils became competitive with petroleum products after the latters' sustained cost increases. The depreciation of the United States dollar against currencies of major importing countries was added inducement for larger use, especially of soybeans and soybean products, although this was no longer sufficient to offset some price increases in 1979.

On the whole, the rapid growth in world production and consumption of oilseeds, oils and fats, which persisted since 1977, was expected to last into the coming season. Reflecting the

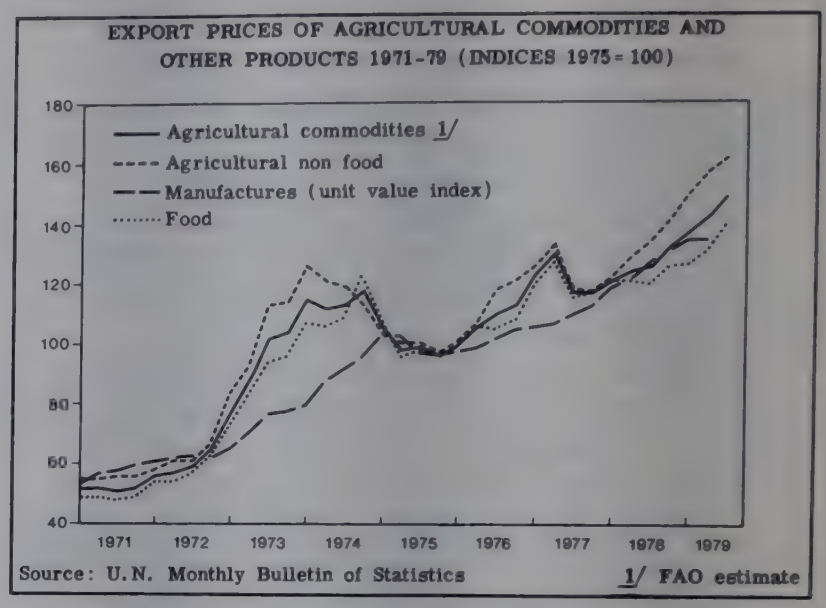
strong demand, international dollar prices of fats and oils continued to advance in 1979 and those of oilcakes and meals, which had declined in 1978, staged a recovery in current terms. However, with high rates of inflation in 1978 and 1979, real prices showed little change.

Among the agricultural raw materials that were in short supply in the past two years, availabilities had not improved materially in 1979 for hard fibres, rubber and hides and skins. Output of sisal and henequen was forecast to fall again, with no change in the level of coir fibre production. World output of natural rubber was expected to rise slowly in 1979 and stocks remained low in relation to consumption requirements. In line with the cyclical contraction of cattle numbers and slaughterings in major producing countries, the decline in output of bovine hides and skins even accelerated and prices reached all-time highs during 1979. In contrast, world cotton output was forecast to rise by 6 percent during 1979. However, stocks needed replenishment and this was to lend support to the currently favourable cotton prices, assuming that last year's world consumption level was maintained. There were very large stocks of jute carried over into the 1979/80 marketing season in producing countries; this assured ample exportable supplies in spite of an estimated 20 percent drop in world production.

World citrus production was expected to recover in 1979/80, after a season beset with many difficulties. Due to bad weather, production and trade of citrus fruit declined in 1978/79. Several countries suffered heavy losses of fruit due to frost damage, and marketing particularly in European countries, was disrupted by unusually cold weather and transport strikes. As a result of reduced supplies, citrus prices were higher than in the previous season. Supplies on the world banana markets, on the other hand, remained abundant in the first nine months of 1979, and there were strong increases in imports into North America, the Federal Republic of Germany, and Japan. Prices, however, held fairly firm, except in the Federal Republic of Germany, where they continued to decline. The effects of heavy hurricane damage in the Caribbean in August 1979, which may not be felt until early 1980, were unlikely to be as severe as those of similar damages suffered in 1974.

The prospective size of the 1979/80 vintages suggest that the world wine situation could move from a position of reduced availabilities and firm prices to one of surplus. Continuing high volumes of production and trade characterized the world tobacco markets in 1979, but prices were levelling off after two consecutive years of large production.

Figure 4



On the whole, the export prices of most food commodities and agricultural raw materials averaged higher in 1979 than in the previous year. Based on partially estimated data, prices of food commodities rose by about 13 percent, compared with an increase of less than 2 percent in 1978. Prices of non-food commodities of agricultural origin increased even faster in 1979, at an estimated 20 percent annual rate against the 6.5 percent increase in the previous year. The estimated overall increase in export prices of agricultural commodities was about 16 percent in 1979, against a little over 3 percent in 1978. In the food sector, most commodity prices rose by more than 10 percent; cereals registered an average increase of 16 percent. By contrast, prices of beverage crops rose by only about 3 percent.

These price increases, together with a rise in export volumes, especially of cereals, should be reflected in a further increase in the total value of trade in 1979. But the purchasing power of earnings of agricultural commodity exporters in 1979 could come under pressure as the price increases of non-agricultural goods partly or entirely offset the rise in agricultural commodity prices. Thus, the 16 percent average increase in export prices of agricultural products compared with an estimated rise of 11 percent in the prices of manufactured exports and a rise of over 30 percent in the price of crude petroleum.

Lower stocks in prospect for major commodities

High and rising stock levels have been an important feature of the world markets for several major food commodities in recent years. This reflected underlying structural imbalances between supply and effective demand, or the impact of exceptionally good harvests in major producing and consuming areas over a number of years. Crop failures in the current season, together with a number of government policy measures affecting imports and the holding of commodity stocks, were likely to bring about a reversal in the situation during the 1979/80 marketing year.

World sugar stocks have tended upward since 1974/75 and reached a record of 31.3 million tons by the end of the 1978/79 sugar year. But the emerging production and consumption estimates suggested that world carryover stocks could decline by about 4 million tons by the end of the 1979/80 season. Surplus stocks of skim milk powder continued high in spite of substantial reductions achieved in 1977 and 1978. Another massive effort by governments to dispose of them in domestic markets also for feed use, and through subsidized exports, was expected to bring these stocks to a more managable level of 700 000 tons by the end of 1979, less than half the quantity that was in stock two years earlier. On the other hand, world butter stocks were expected to reach a record 900 000 tons by the end of 1979.

TABLE 9 - WORLD COMMODITY STOCKS

	1970-74 average	1977	1978	1979
	(. . thousand metric tons . .)			
Total cereals	195 000	236 000	230 000	269 000
Butter	540	720	890	900
Skim.milk powder	545	1 540	1 215	700
Sugar	17 225	24 900	30 000	31 300
Coffee	3 113	1 691	1 888	1 980
Cotton	5 046	4 659	5 421	4 855
Rubber	1 518	1 500	1 490	1 365 2/
Cocoa	471	327	440	503

Note: Data refer to end of season stocks in year shown except for butter, skim milk powder and rubber where they refer to end of calendar year. 1979 rubber stock refers to May.

Aggregate carryover stocks of cereals were estimated at a record 269 million tons at the end of the 1978/79 crop years, including for the first time FAO's estimates of stocks held in the U.S.S.R. and China, amounting to 30 and 46 million tons respectively. Following the poor crops in several importing countries during 1979, it was expected that world cereal stocks would drop to 250 million tons at the close of the crop years ending in 1980. Most of the decline would be in developed importing countries. The combined cereal stocks of developing countries would change little, largely because inventories in China were anticipated to increase, while those of other countries - notably India - would decline. A matter of concern is the geographical distribution of stocks; 56 percent of these will be held in main exporting countries, with 35 percent in North America alone. The ratio of stocks to apparent world consumption would drop from 19 to 17 percent, barely the minimum considered by FAO as adequate for world food security. Stocks of oilseeds, particularly soybeans, were expected to increase in the 1979/80 season, but not to an excessive level.

In comparison with basic food and feedstuffs, stocks of coffee, cocoa, tea and several agricultural raw materials were decidely low, in spite of some re-stocking in the past two marketing seasons. Slow increases or long-term declines in world production were aggravated in some cases by temporary production setbacks due to unfavourable weather and this coincided with some recent improvements in demand. In relation to world consumption, commercial stocks of natural rubber at the end of 1978 reached their lowest point in the past three decades, and there were actual shortages of hard fibres. Although heavy build-up in producing countries resulted in unusually large jute stocks in 1979, scarcity of quality jute fibre persisted. The world cotton stock situation had eased in the 1977/78 season, but a further substantial drop occurred in 1978/79, so that stocks remained below normal past levels and were in need of replenishment. Similarly, increased consumption of wood products in 1978 was met in part by a run down in stocks by both producers and traders; the impetus maintained in production and trade in 1979 was therefore directed partially to the rebuilding of normal stock levels.

Short-term outlook for demand, international prices and trade

Persistent inflation and restrictive economic policy measures to contain them, greater than anticipated oil price increases and their impact on the balance of payments of many industrialized and developing countries are among the factors likely to cause a further slow-down in the growth of the world economy in 1980. However, fluctuations in the level of economic activity do not affect the demand for agricultural commodities in a uniform way. Indeed, the overall demand for agricultural products has, so far, not been noticeably reduced by the marked deceleration in the growth of the world economy which was underway in 1979. Thus, demand for individual products, especially in international trade, could evolve in ways different from what would be expected on the basis of the general economic outlook, due to specific market factors.

The short-term outlook for prices of most agricultural products, and therefore export earnings, remained unusually uncertain at the end of 1979. Agricultural commodity prices in world markets were likely to continue to show high degrees of instability. Uncertainties, which could particularly contribute to widespread price instability in 1980, relate especially to prevailing high rates of inflation and volatility in world currency markets. These factors could encourage a "flight" from money into commodities, or, at least, trigger increased buying interest in individual commodities, thus leading to upward pressures on prices despite the generally unfavourable economic growth prospects. Moreover, the instability of prices would be particularly marked on commodity markets where international trade is small in relation to total world production and consumption as in the case of sugar and rice. Further factors were the prospects for smaller stocks of cereals and sugar and the relatively tight stock situation for other major commodities.

In the world free sugar market, the major development of importance for 1980 is the forecast shortfall of production and the consequent likely decline of perhaps 4 million tons in world stocks by the end of the season in August 1980. By then, however, stocks would still represent 29 percent of world consumption, compared with a more 'normal' level of 25 percent. Nonetheless, the free-market price outlook for 1980 was more favourable to exporters than in several preceding years.

Among other major traded commodities of export interest to developing countries, import demand in the short run has remained strong for coffee, tea and cotton, as well as for jute, hard fibres and rubber, and exportable supplies of hard fibres were expected to fall short of requirements. Tight supplies of hides and skins in international trade are also expected in 1980, reflecting the continuing cyclical decline in cattle slaughterings. However, the generally unfavourable economic growth prospects in industrialized countries might reduce the demand for agricultural raw materials, despite the improvement in competitive position they have recently regained against synthetic substitutes.

Reflecting the fall in world cereals production and the increase in import requirements, international prices of wheat, coarse grains and rice remained above year-earlier levels in 1979; there were also indications that prices could rise further in the short run. Crop shortfalls in major rice consuming countries in 1979 resulted in large import requirements for 1980, but the volume of world trade was forecast to remain below the record reached in 1979. By contrast, world import requirements of wheat and coarse grains in 1979/80 are expected to rise because of larger purchases by developed countries, particularly the U.S.S.R. and Poland. World trade in these grains is forecast to reach a new record at 174 million tons. There are transport problems, however, in major exporting countries which could constrain the actual volume of shipments.

World output and export availabilities of edible oils and protein meals in 1980 were expected to increase sharply. Unlike the previous two years, some of the increase in production will probably go into stocks, while prices in real terms are likely to decline.

World production of beef and veal was expected to continue a cyclical downward trend probably until 1982-83. Given the expected lower rates of growth in the output of other meats in the year ahead, because of declining feeding margins, the prospects pointed to tighter world meat supplies and recoveries in international pigmeat and poultry meat prices which were depressed in 1979.

With the main exceptions of some oilseeds and oilseed products and hides and skins,

international prices of most agricultural commodities continued to advance or remained strong in the last quarter of 1979. These price levels should be reflected in export unit values in 1980. Therefore, while it is too early to predict the volume of trade in 1980 for more than a few commodities, the preliminary indicators suggest a continuing upward trend in the value of world agricultural trade in the short term.

TRADE AND POLICY ISSUES: SPECIAL FEATURES

Rising instability of agricultural commodity prices

The stabilization of agricultural commodity prices on world markets has been a central issue in intergovernmental consultations in recent years. The regular flow of foreign exchange income from exports of agricultural products has been traditionally of paramount importance for developing countries because of the overwhelmingly agricultural character of their national economies. Since the increase in petroleum prices in the early seventies, agricultural export earnings assumed secondary, although by no means an unimportant role in the balance of trade of many oil exporting countries. But the unpredictability of export revenues, or import bills, resulting from volatile agricultural commodity prices have become of ever greater concern to the majority of developing countries which do not possess abundant supplies of energy or other critical natural resources. They still depend heavily on agricultural exports to finance imports of manufactured products, as well as fuels, needed for consumption and economic development. Given the slow growth of their domestic agriculture, these countries have become also large importers of foodstuffs and, in the case of the industrializing developing countries, of agricultural raw materials.

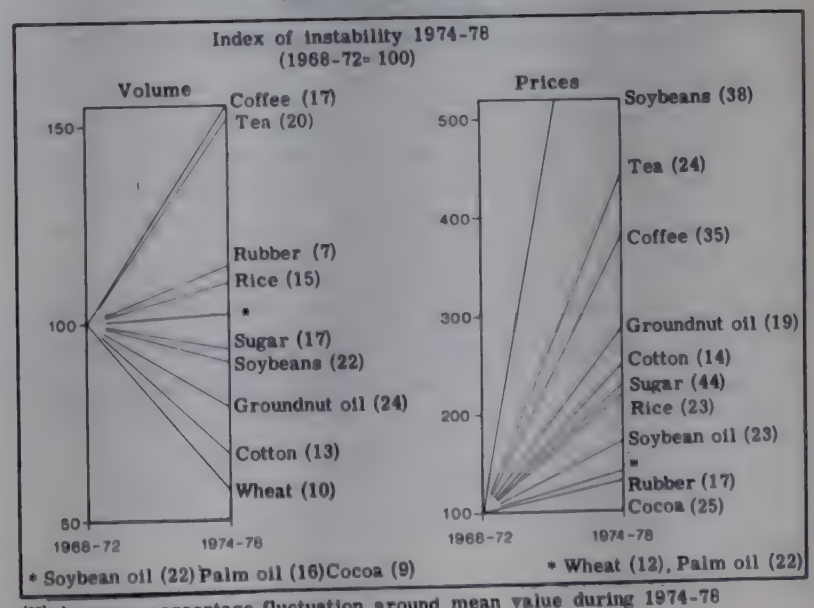
The high degree of volatility of agricultural prices, in comparison with prices of many industrial and other goods, derives mostly from the differences in the structures and processes of production and the special characteristics of agricultural commodity markets. A major factor is the greater price-inelasticity of the aggregate supply and demand for agricultural products which results in disproportionately large price variations in response to shifts in supply and demand. There are also differences in market organization and structure which make it difficult for agricultural producers to exercise control over prices and to achieve price stability by adjusting output to demand. However, the major causes of instability have been traditionally linked to the biological nature of the production process itself, which makes yields often dependent on non-economic factors and leads to seasonal, cyclical and frequently random variations in agricultural output.

On international markets, the problem of price instability is compounded by sudden changes in import demand. These changes may reflect variations in the production of importing countries, including the output of complementary or substitute agricultural products, or government policy decisions affecting consumption and external trade. In many major products, the pursuit of national self-sufficiency goals and measures to protect domestic agriculture have increased instability on shrinking "residual" world markets. In some instances, these markets have become so limited that even small changes in world production or demand can have a very large impact on international prices.

Figure 5 illustrates the changes in instability of the volume and prices of some major agricultural commodities in international trade between the periods 1968-72 and 1974-78, immediately preceding and following the 1972/73 commodity price boom. The selection is from a group of 21 commodities analysed, accounting for about 50 percent of world agricultural trade; the full results are shown in Table 10. The measure of instability is calculated from quarterly data on international prices and the volume of exports. It shows the average percentage fluctuation in each of the two periods, adjusted for any significant trends.

Figure 5

SELECTED AGRICULTURAL COMMODITIES: EXPORT PRICES AND VOLUME INDEX OF INSTABILITY



(X) Average percentage fluctuation around mean value during 1974-78

TABLE 10 - VARIATION IN EXPORT PRICES AND QUANTITIES OF SELECTED COMMODITIES, 1968-73 AND 1974-78 1/

	1968-72		1974-78		Ratio 1974-1978/1968-1973	
	Price	Quantity	Price	Quantity	Price	Quantity
	(. . . . . percent . . . . .)					
Coffee	9.16	11.09	34.97	17.18	3.82	1.55
Tea	5.56	13.42	24.48	20.47	4.40	1.53
Sugar	19.19	18.27	44.14	16.89	2.30	0.92
Wheat	8.26	17.28	11.70	10.01	1.42	0.58
Rice	10.04	13.55	22.89	14.84	2.28	1.10
Maize	8.22	17.47	12.29	12.93	1.50	0.74
Barley	6.75	20.94	7.01	11.88	1.04	0.57
Butter	25.81	26.54	5.62	12.31	0.22	0.46
Cheese	23.36	8.57	6.15	9.12	0.26	1.06
Soybeans	5.09	24.93	38.18	22.38	7.50	0.90
Linseed	8.79	37.83	29.31	38.10	3.33	1.01
Soybean oil	13.75	21.76	23.19	22.51	1.69	1.03
Linseed oil	5.44	24.77	19.81	36.40	3.64	1.47
Cottonseed oil	14.88	43.34	18.64	26.12	1.25	0.60
Groundnut oil	6.69	30.57	19.06	24.05	2.85	0.79
Olive oil	9.42	21.59	4.94	29.30	0.52	1.36
Palm oil	15.60	15.26	22.25	15.81	1.43	1.04
Palm kernel oil	11.77	16.77	39.17	24.37	3.33	1.45
Rubber	13.07	6.16	16.61	7.00	1.27	1.14
Cotton	5.65	18.73	14.15	12.64	2.50	0.67
Cocoa	19.51	8.34	25.43	8.66	1.30	1.04

1/ Coefficients of variation calculated from quarterly data on export prices and quantities and adjusted for trends by multiplication through $\sqrt{1-R-2}$.

Sources: FAO Monthly Bulletin of Statistics; United Nations, Methods Used in Compiling the United Nations Price Indexes for Basic Commodities in International Trade (Statistical Papers, Series N, No.29, Rev.2, 1979). The Coefficient of volume variation for cocoa was calculated from annual data.

The most striking feature was the large and widespread apparent increase in price instability in the mid seventies, compared with the late sixties and the early years of the current decade. By comparison, there has been little change in the the variability of the volume of exports; if there was any significant central tendency at all, it was towards slightly greater stability in the 1974-78 period.

The notorious instability of supplies of agricultural commodities was reflected in the high value of the coefficients obtained for the years 1968-72. The average fluctuation in volume was about 20 percent for the commodities covered. The range of variation was wide, from a relatively stable 6 percent for natural rubber to well over 30 percent for a number of oilseeds and oils. This general picture did not change substantially in 1974-78. However, there were significant increases in the instability of the volume of exports of tea and coffee, from 13 to 20 and from 11 to 17 percent respectively. On the other hand, there was considerable reduction in the variability of exports of nine commodities, including all the major grains, with no significant change in about six others.

The instability of prices was considerably less than that of volume during 1968-72, averaging about 12 percent. The range of variation too, was narrower, extending from 5 percent for soybeans to 26 percent for butter. Over half of the commodities experienced average fluctuations of 10 percent or less, including coffee, tea, cereals, several oilseeds and oils and cotton. Only five of the 21 commodities had average price variability in excess of 15 percent. These included palm oil and cocoa of interest to developing exporting countries and butter and cheese among the temperate zone products.

In contrast to volume instability, price instability strikingly increased between 1968-72 and 1975-78 for most of the commodities. The overall average price fluctuation rose from 12 to 21 percent, and the variability of export prices thus exceeded that of the volume of exports. Only three of the 21 commodity price series showed a reduction in instability, although a very substantial one; they were butter, cheese and olive oil - all commodities covered by some form of international and bilateral commodity arrangement.

The most marked increase in price fluctuations was experienced by soybeans, followed by tea and coffee. The average fluctuation in the sugar price increased from 19 to 44 percent, the highest among the commodities included in the analysis. While grain prices remained stable in comparison, the average fluctuation in rice prices more than doubled from 10 to 23 percent.

The causes of this substantial destabilization of a wide range of agricultural commodity prices are obviously many, complex and likely to vary from commodity to commodity. Nonetheless, it appears that changes in the variability of the volume of output or exports played a subordinate role. It is also doubtful that there has been a major change in the aggregate supply and demand for agricultural commodities towards greater price-inelasticity that could in theory account for the observed rise in price instability. Other factors have become apparently more important in the 1974-78 period; these could include changes in marketing structures, further narrowing of the "residual" world markets due to increasing self-sufficiency of importing countries and possibly higher protection afforded to domestic producers. The acceleration of world inflation and the rise in instability of the world currency markets are other factors which could have led to increased activity on world commodity exchanges and thus contributed to greater variability of commodity prices.

International action on commodities during 1978/79

The United Nations Conference on Trade and Development - Fifth Session (UNCTAD V)

The United Nations Conference on Trade and Development held its Fifth Session from 7 May to 1 June 1979 in Manila. It agreed on a "programme of action for structural adjustment related to trade and policies and measures to deal with protectionism". Under this programme, which focuses on processed goods and manufactures, the Trade and Development Board of UNCTAD will organize an annual review of the patterns of production and trade in the world economy with a view to identifying problems relevant to the "attainment of optimum overall economic growth, including the development and diversification of the economies of developing countries, and an effective international division of labour". It envisaged that governments would take such reviews into account in following up the Conference Resolution 96(IV) 1/. The programme also called upon developed countries to "move towards" the reduction and elimination of quantitative and other similar restrictions, particularly on products exported by the developing countries, and to continue efforts towards reducing tariff escalation so as to provide improved access to exports of manufactures and semi-manufactures, in particular from the developing countries.

The UNCTAD V also adopted a Comprehensive New Programme of Action for the Least Developed Countries. This Programme called for a number of differentiated and additional measures in favour of these countries as an essential contribution to the establishment of the New International Economic Order. It also recommended the adoption of appropriate differential and remedial measures within the Integrated Programme for Commodities to promote adequate markets for the expanded production by least developed countries which the Comprehensive New Programme of Action would bring about.

1/ This Resolution inter alia called upon developed countries to pursue policies that would encourage domestic factors of production to move progressively from the lines of production which are less competitive internationally, especially where the long-term comparative advantage lies in favour of developing countries.

Considered from the viewpoint of the developing countries, the results of the UNCTAD V were somewhat disappointing. Despite a general consensus on protectionism, the Conference could not agree on specific actions by developed countries to remove existing restrictions on the exports of developing countries. It was also marked by wide divergencies on the global policy issue of how to facilitate structural changes in the international economy, taking into account inter-relationship between trade, development, money and finance with a view to the establishment of a New International Economic Order. This unresolved question was referred back to the UNCTAD Trade and Development Board.

Other main actions on commodity and trade problems taken in international fora during 1979 are summarized below.

UNCTAD Integrated Programme for Commodities (IPC)

Producer and consumer countries continued intensive consultations and negotiations to implement Resolution 93(IV) on the Integrated Programme for Commodities adopted by the Fourth Session of the United Nations Conference on Trade and Development.

At its Third Session, the Negotiating Conference on a Common Fund reached agreement in March on the fundamental elements of the Common Fund. An Interim Committee was established to draft the Articles of Agreement of the Fund. The Fund will comprise two financing "windows" with an initial capital of U.S.$750 million. Of the total, $400 million would be available under first window contributions, to be augmented in due course by cash deposits amounting to 33 1/3 percent of the maximum financing requirements of commodity agreements which might become members of the Fund. The Fund, through its first window, would contribute to the financing of international buffer stocks and internationally coordinated stocks within the framework of international commodity agreements.

A target of $350 million was set for the resources of a second window, with at least $70 million from direct government contributions and voluntary contributions targeted at $280 million. Through its second window, the Fund would finance measures other than stocking, including research and development, and productivity improvement. These measures would be jointly sponsored and followed up by producers and consumers within the framework of international commodity bodies meeting agreed criteria. It is expected that the detailed agreement on the Common Fund will be concluded at a Negotiating Conference in April 1980.

Further preparatory meetings and negotiations were held by UNCTAD on individual commodities under the Integrated Programme. Preparatory work on jute and jute goods had been concluded and participating parties agreed to enter into the negotiating phase for an international agreement. A pre-negotiating meeting, likely to be held before mid 1980, will further clarify certain outstanding issues, including the mode of financing of the administrative budget and the importance of a set of criteria regarding the eligibility of projects for funding.

The fifth preparatory meeting on tropical timber was held in October 1979 and will be convened in the first half of 1980 to continue consideration of the elements for an international arrangement.

UNCTAD V urged governments to expedite the convening of negotiating conferences on commodities on which sufficient progress had been made in the preparatory phase and to accelerate the convening of preparatory meetings on the remaining commodities. In particular, it requested the Secretary-General of UNCTAD to convene preparatory meetings as soon as possible on perishable commodities and agreed on the inclusion in the preparatory work and negotiations of processed and semi-processed products derived from the raw materials indicated in Resolution 93(IV).

International commodity agreements

Negotiations for conclusion of international commodity agreements have recently been completed or are in progress for a number of agricultural commodities.

Major producing and consuming countries concluded negotiations in early October on an International Price Stabilization Agreement on Natural Rubber. Its central features are set out in Chapter II. This is the first international commodity agreement to be concluded within the framework of the Integrated Programme for Commodities of the UNCTAD and the first to provide for association with the Common Fund. Notably, the agreement is also the first to

provide for equal sharing of the funding, for the operation of the normal stock of 400 000 tons, between producing and consuming countries by means of direct government contributions.

A new International Olive Oil Agreement which will be basically similar to the previous one of 1963 (as amended) was approved on 20 March 1979 by the UN Conference on Olive Oil. It is expected to come into force provisionally on 1 January 1980 and will last for five years.

The International Cocoa Agreement which was to expire on 30 September 1979, was extended to 31 March 1980. The third session of the United Nations Cocoa Negotiating Conference in November 1979, adjourned sine-die without concluding a new Agreement, in particular because it failed to agree on the essential issue of the level of prices.

The economic provisions of the 1976 International Coffee Agreement continued to be inoperative in 1979, as prices remained well above the level which would trigger export quotas. In September 1979, the International Coffee Council failed to agree on an upward revision of the trigger price, but provided for further discussions on possible measures under specific market conditions.

The Third Session of the United Nations Negotiating Conference on a new international grains arrangement adjourned without concluding its work in February 1979. It could not agree on a Wheat Trade Convention because of differences on a number of major issues regarding the size and distribution of reserves, prices and special assistance to developing countries. Hence, the 1971 International Wheat Agreement, which comprises a Wheat Trade Convention and a Food Aid Convention, was extended for two more years up to June 1981. In November 1979, the International Wheat Council agreed that there was little prospect of negotiating a new Wheat Trade Convention in the foreseeable future, but that it was necessary to search for alternative solutions which would meet the objectives of market stability and world food security. Accordingly, alternative proposals for a new Wheat Trade Convention will be considered in April 1980 by the Special Committee of the International Wheat Council. As regards the Food Aid Convention (FAC), a special session of the Food Aid Committee will be held in March 1980, with a view to completing the negotiations along the lines agreed during the Negotiating Conference. It is expected that the new FAC, which would form part of the existing International Weat Agreement, would come into effect from July 1980, and would have a higher level of food aid pledges totalling 7.6 million tons per year compared with 4.2 million tons under the present Convention.

Action under FAO auspices 1/

Because of the continuing absence of a legally binding international grains arrangement having the necessary elements for achieving world food security, the Director-General of FAO proposed, in March 1979, a five-point plan of action for implementing the International Undertaking on World Food Security. The plan comprises: (i) adoption of foodgrains stocks by all countries; (ii) criteria for the management and release of national stocks held in pursuance of the Undertaking; (iii) special measures to assist low-income food deficit countries to meet their current food import requirements and emergency needs; (iv) special arrangements for food security assistance and (v) collective self-reliance of developing countries. This Plan of Action was adopted by the FAO Council in June 1979 and endorsed by the FAO Conference at its Twentieth Session in November 1979.

The Informal Price Arrangements operated under the Intergovernmental Group on Hard Fibres were reviewed in April 1979 when the indicative price range of East African U.G. sisal was raised, while the export quotas were left suspended pending review. It was also decided that the indicative price mechanism for abaca agreed to in 1978 should be temporarily suspended in view of the rising abaca prices. An Emergency Consultation for an upward revision of prices agreed on a substitution by price bands of the single floor and ceiling prices for abaca until December 1979 when single floor and ceiling prices were to be reintroduced.

At the same session of the Intergovernmental Group on Hard Fibres, broad agreement was also reached on objectives of a new organization - Coir International - to initiate and coordinate research, development and promotion programmes for coir. Options for a legal status for Coir International and related matters should be discussed at the Group's meeting scheduled for early 1980.

The indicative price ranges of the Informal Arrangement on Jute, Kenaf and Allied Fibres were reviewed by the Intergovernmental Group in

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1/ Additional information is given in Chapter II on individual commodities.

October 1979. It decided to keep the indicative price for jute for 1979/80 at the 1978 level and to raise the price range for Thai kenaf.

The use of International Guidelines to provide a "code of conduct" for the achievement of certain agreed goals continues to be favoured by three FAO Intergovernmental Groups as an alternative to formal commodity arrangements. The Intergovernmental Group on Rice adopted in March 1979 a revised and strengthened set of Guidelines on National and International Action on Rice. The Intergovernmental Group on Meat, reviewing follow-up action to the Guidelines for International Cooperation in the Livestock and Meat Sector at its session in May 1979, drew the attention of governments to five areas of continuing concern within the overall objectives of the Guidelines. The February 1979 session of the Intergovernmental Group on Oilseeds, Oils and Fats gave detailed consideration to a draft of Guidelines for International Cooperation in the Oilseeds, Oils and Fats sector and a revised draft will be the basis for further discussion at the next session in April 1980.

The GATT Multilateral Trade Negotiations

The bulk of the negotiations under the Tokyo Round of the Multilateral Trade Negotiations (MTNs) were concluded after six years of work. A preliminary assessment of the outcome is given in Chapter IV of this Review.

In addition to agreed tariff reductions, the results of the Negotiations include two agreements specifically related to agricultural trade: an international dairy arrangement, and an arrangement regarding bovine meat. The International Dairy Arrangement will enter into force on 1 January 1980, and will supersede the arrangement earlier negotiated in GATT on skimmed milk powder and milk fats. It includes provisions for minimum prices in international trade of milk powder, certain cheeses, milk fats (including butter) and for the establishment of an International Dairy Products Council to keep under review the world market situation and the functioning of the Arrangement.

The Arrangement Regarding Bovine Meat will also enter into force on 1 January 1980. It covers beef and veal and live cattle, and aims, through the establishment of a consultative International Meat Council, to promote cooperation in international meat and livestock trade, but contains no price or market regulatory provisions.

In the field of non-tariff measures, agreement had been reached on multilateral codes on subsidies and countervailing measures, anti-dumping, government procurement, technical barriers to trade, import licencing procedures and customs valuation. All these agreed codes contain provisions for some flexibility in their application to developing countries, while negotiations continued to write out agreed texts for some of them.

Other MTN agreements will update fundamental rules of GATT - the basic framework for the conduct of world trade. The most important change gives permanent legal standing to the grant of trade preferences by developed to developing countries (e.g. GSP) and by developing countries to one another. However, an important issue which remained unsettled was the review of the rules on emergency safeguard action against disruptive imports.

New Lomé Convention signed 1/

In October 1979, the 57 African, Caribbean and Pacific countries (the ACP countries), and the European Economic Community, concluded a new Lomé Convention covering a five-year period (1980-85) to replace the first Convention signed in February 1975 2/. Under the new Convention, the list of products which benefit from free entry into the EEC has been enlarged to cover practically all ACP exports. The Community, while not according completely free access to certain products which compete directly with its agriculture, has nevertheless agreed to give them preferential treatment. As in the first convention, a protocol guarantees access into the Community for 1.27 million tons a year of ACP sugar at a price equivalent to that offered to EEC producers. Special arrangements in favour of a number of ACP countries are also provided for rum, bananas, and beef and veal. Forty-four products, compared to 34 in the preceding Convention, are covered by the "Stabex" mechanism for stabilizing export revenue, including now also

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1/ Based on provisional text.

2/ See Commodity Review and Outlook 1974-75, pages 35-36.

rubber, pepper, cashew-nut, cotton seed, oilcakes, shrimps and squids.

In the field of financial and technical co-operation, the total amount of aid to be provided by the Community has been increased from 3.4 billion to 5.6 billion units of account. The new Convention also reinforces industrial and agricultural cooperation in such areas as energy prospecting, new energy sources, maritime transport and fishing. A joint declaration provides for the conclusion of fishing agreements and for financial compensation for fishing rights granted from ACP countries to the Community.

CALENDAR OF FAO COMMODITY MEETINGS TO BE HELD IN ROME IN 1980

Working Party on Coir International	18-19 February
Intergovernmental Group on Hard Fibres	20-22 February
Intergovernmental Group on Grains	25-29 February
Intergovernmental Group on Rice	17-21 March
Committee on World Food Security	27 March - 3 April
Intergovernmental Group on Oilseeds, Oils and Fats	9-15 April
Intergovernmental Group on Bananas, Sub-Group of Exporters	5-9 May
Intergovernmental Group on Bananas	12-16 May
Ad Hoc Working Party on Statistical Intelligence for Hides and Skins	15-18 September
Intergovernmental Group on Jute, Kenaf and Allied Fibres	7-10 October
Intergovernmental Group on Wine and Vine Products	3-6 November
Intergovernmental Group on Tea	10-14 November
Intergovernmental Group on Tea, Sub-Group on Promotion	17-21 November
Intergovernmental Group on Meat	8-12 December

CHAPTER II - REVIEW AND OUTLOOK BY COMMODITY

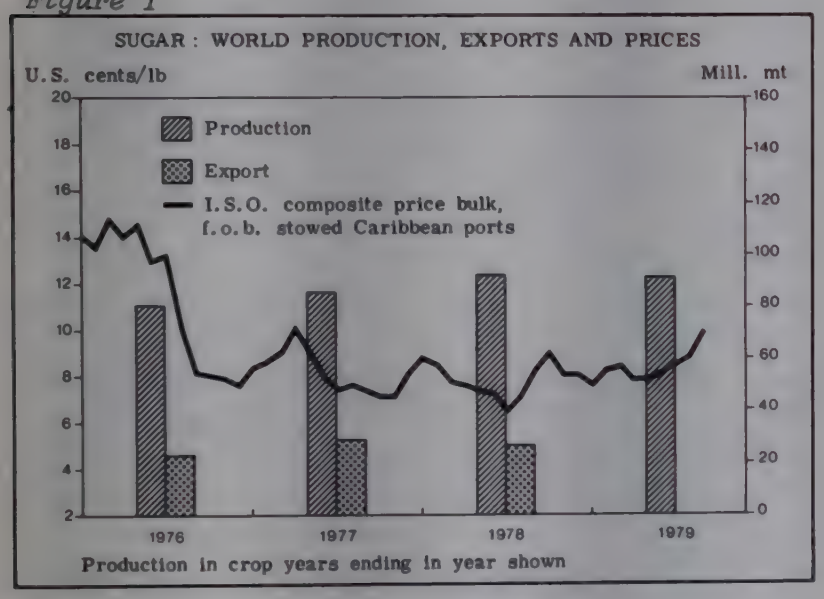
SUGAR, BEVERAGES AND TROPICAL CROPS

SUGAR

Highlights

World sugar production in 1978/79 exceeded consumption for the third consecutive year, increasing carryover by about 1 million tons. Heavy supplies to the free market maintained prices under downward pressure up to August 1979 However, prospects for lower 1979/80 sugar output and a significant reduction in end-of-season carryover stocks subsequently stimulated a significant rise in prices after three years of depressed world market conditions. By early November, prices were above 13 U.S. cents per lb. compared with the International Sugar Agreement minimum of 11 U.S. cents per lb. If this improvement is sustained, export quotas which have applied under the Agreement since January 1978, may be increased.

Figure 1



Cane producing countries succeed in reducing output

The steep upward trend in the world production of centrifugal sugar, which has taken place since 1976/77, was halted in 1978/79, as total output decreased by 1 million tons, raw value, to 90.8 million tons. This reflected a 1.5 million tons reduction of cane sugar output mostly in developing countries, largely brought about by low prices and restricted export outlets. Brazilian sugar output declined by 1 million tons from 8.8 million tons in 1977/78. However, this was due to increased utilization of cane for fuel alcohol production rather than a lower cane harvest. Sugar production also dropped significantly in most other Latin American countries: in Cuba, however, it continued to expand to reach 8 million tons. Low prices and adverse weather decreased Indian output by 9 percent from the unusually large 1977/78 production of 7 million tons. Production in China (including the Province of Taiwan) increased to 3.5 million tons, while in Australia and South Africa, cane and sugar output were restricted in conformity with the supply management provisions of the International Sugar Agreement.

In contrast to cane sugar, overall beet sugar production increased by almost 600 thousand tons. Output in the European Economic Community benefitted again from favourable weather, and in spite of a slight reduction in plantings, rose to 13.4 million tons. Production in eastern Europe was lower, on account of decreased yields in Czechoslovakia, Poland and Romania, but this was offset by an increase in the U.S.S.R.'s output to more than 9 million tons. Overall sugar production in the United States was 3 percent above the previous campaign due to higher beet sugar output: cane sugar production remained static.

Exports decline in 1978 in spite of larger EEC and Cuban shipments

The volume of world sugar exports declined by 9 percent from 28.9 million tons in 1977 to 26.3 million tons in 1978. This was not unexpected in view of the record increase in carryover stocks at the end of 1977 in importing countries and the introduction of export quotas as from 1 January 1978 under the 1977 International Sugar Agreement. Members of the Agreement had to limit their exports to the free market during 1978 and again in 1979 to 82.5 percent of their basic export tonnages under the provisions of the Agreement, since the indicator price remained below the agreement minimum of 11 U.S. cents per lb. Total free market export entitlements of member countries were established at about 12.6 million tons for both 1978 and 1979.

Despite the global decline, exports from the EEC (which is not a member of the Agreement)

to the free market rose by 32 percent to 3.6 million tons. Its net exports amounted to 1.9 million tons, allowing for imports under special quotas from ACP countries and India. Exports from Cuba also rose, both to the socialist countries under special arrangements, by 9 percent, and to the free market by 38 percent. Exports from most other countries declined significantly.

World gross sugar imports in 1978 declined by 2.3 million tons to 25.3 million tons. China for the second consecutive year, accounted for purchases of more than 1.5 million tons from the free market. Imports of developing countries rose by 17 percent as low prices stimulated demand. However, this did not offset the significant drop in imports by developed countries which reflected heavy carryover stocks from the previous season and generally favourable domestic harvests.

Ample supplies depress prices until late 1979

International sugar prices during 1978 and the first nine months of 1979 remained unremunerative for most sugar exporting countries due to the high level of carryover stocks, which increased further in 1978/79 to 31.3 million tons or 35 percent of world consumption, and heavy deliveries to the free market. The I.S.A. Indicator Price dropped from 8.10 U.S. cents per lb in 1977 to an average of 7.81 U.S. cents in 1978, but reached 8.08 U.S. cents during January-July 1979.

After early August 1979, however, prices rose and reached 12.33 U.S. cents on 16 October, when the 15-day average surpassed the minimum of the I.S.A.'s price range of 11.00 cents per lb. Since then, there were further increases and the I.S.A. Indicator reached a peak at 14.00 U.S. cents per lb in mid November. This largely reflected the expectation of a significant decrease in the 1979/80 world output and carryover stocks. The statistical position, however, still points to a situation of surplus as carryover stocks are likely to remain well above the "normal" level of 25 percent of consumption.

Low prices stimulate consumption

World sugar consumption continued to increase through 1979 and is expected to reach 89.7 million tons, 5.5 percent higher than in 1978, largely due to population and income growth effects in developing countries, combined with low prices and increased availabilities. Consumption in India rose from 4.1 million tons in 1977 to 4.9 million tons in 1978 and should reach 6.0 million tons in 1979, reflecting the success of government measures to alleviate a surplus problem by stimulating domestic consumption. Consumption is also likely to be substantially higher in most other developing countries. Consumption in developed countries is expected to rise by about 3 percent in 1979 to reach 48 million tons. Despite low sugar prices, which have presumably reduced margins, production and consumption of high fructose corn syrup continued to increase, mainly in the United States, where deliveries in 1979 probably increased by more than 15 percent to 1.3 million tons.

Outlook

World beet and cane sugar output are expected to decline by over 2 million tons during 1979/80, and early forecasts point to a harvest of 88.4 million tons. Despite improved cane yields, output in the United States will probably decline due to lower beet yields and acreage. Restrictive production policies in some major cane producing countries are likely to continue. Brazil, the largest cane sugar producer, will continue diverting cane to fuel alcohol production and plans to reduce sugar output to about 1 million tons below the 1978/79 level. In India, the effect of drought and some reduction in acreage are also expected to reduce production about 1 million tons to around 5.4 million tons. In Cuba, rust disease and drought in the summer of 1979 could jeopardize the government's intention to increase production further. In western Europe, on the contrary, weather was generally favourable during the early stage of the beet processing campaign, although lower sugar yields could reduce production. In eastern Europe, beet development was excellent in all major producing countries. Favourable weather from early July in the U.S.S.R. also helped the crop, although drought early in the season might affect final results unfavourably.

World consumption of sugar on the other hand, is forecast to increase in 1980 to around 92 to 93 million tons, which, if realized, would result in a reduction in end-of-season carryover stocks of the order of 3 to 4 million tons. Most of the expected growth in consumption should occur in developing countries. Consumption in developed countries is likely to show only a moderate rise in 1980. However, any sustained increase in real

TABLE 1 - SUGAR: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION 1/			IMPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(..million tons, raw value..)			(..million tons, raw value..)		
World total	81.10	91.76	90.82	22.44	27.55	25.25
Developing countries	45.29	50.92	49.97	5.38	8.18	9.57
Latin America	25.00	28.12	27.25	0.20	0.65	0.65
Africa	2.94	3.10	3.43	1.39	1.90	2.08
Near East	2.56	2.64	2.66	1.83	2.07	2.96
Far East and Oceania	11.67	13.80	13.06	1.16	1.49	1.88
Asian CPE	3.12	3.26	3.57	0.80	2.05	2.00
Developed countries	35.81	40.84	40.85	17.06	19.37	15.68
EEC 2/	9.87	12.16	12.38	3.56	3.00	2.59
Other western Europe	2.76	3.27	3.26	1.50	1.23	0.88
North America	5.89	5.42	5.56	5.23	6.38	4.84
Eastern Europe & U.S.S.R.	11.84	13.88	14.01	3.82	5.65	4.66
Eastern Europe	4.25	5.06	4.91	0.86	0.87	0.67
U.S.S.R.	7.59	8.82	9.10	2.96	4.78	3.99
Other developed	5.45	6.11	5.64	2.95	3.11	2.71

	EXPORTS			VALUE OF EXPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(..million tons, raw value..)			(...billion U.S. dollars ...)		
World total	22.66	28.85	26.30	9.41	7.60	7.50
Developing countries	16.48	20.00	17.64	7.03	5.07	5.20
Latin America	11.24	13.06	12.74	4.80	3.40	4.03
Africa	1.28	1.38	1.20	0.52	0.45	0.42
Near East	0.05	0.08	0.05	0.03	0.03	0.02
Far East and Oceania	3.35	4.84	3.24	1.41	1.06	0.65
Asian CPE	0.56	0.64	0.41	0.27	0.13	0.08
Developed countries	6.18	8.85	8.66	2.38	2.53	2.30
EEC	2.46	3.75	4.35	1.01	1.18	1.27
Other western Europe	0.15	0.17	0.10	0.06	0.05	0.02
Eastern Europe & U.S.S.R.	0.60	0.81	0.85	0.25	0.23	0.20
Other developed	2.97	4.12	3.36	1.06	1.07	0.81

	CONSUMPTION 3/				STOCKS		
	1974-76 average	1977	1978	1979 (prelim.)	1974-76 average	1978	1979 (prelim)
	(.. million tons, raw value ..)				(mill. tons, raw value)		
World total	77.78	81.90	85.05	89.68	World stocks at end of season 4/		
Developing countries	31.73	34.95	38.12	41.32	18.0	30.0	31.3
Asian CPE	3.72	4.14	4.60	5.04			
Developed countries	46.05	46.95	46.93	48.36			
EEC	10.67	10.09	10.18	10.39			
North America	10.73	11.28	11.02	11.18			
Eastern Europe & U.S.S.R.	15.71	16.29	16.75	17.17			
Other developed	8.94	9.29	8.98	9.62			

	PRICES		
	1974-76 average	1977	1978
	(U.S. cents per lb)		
ISA daily price for raw sugar	20.51	8.10	7.81

1/ Crop year beginning in the year stated.
2/ Including trade between members and between Metropolitan France and its Overseas Departments, the latter being included under developing countries.
3/ Excluding consumption for non-food uses and some sugar in exported products not allocated to individual countries.
4/ Season ending in the year shown.

sugar prices at retail level, could slow down the rate of consumption growth. Similarly, higher sugar prices may encourage more rapid expansion of demand for high fructose corn syrup.

On balance, therefore, the emerging statistical position indicates a decrease in the surplus which should help to maintain world sugar prices within the I.S.A. range through 1980. On the other hand, if the 15-day average indicator price rises and remains above 13 cents per lb. for 5 consecutive market days, export quotas in effect under the agreement, may be raised and quotas could be suspended altogether if prices rise above 15 U.S. cents per lb. During 1980, the basic export tonnages under the agreement are due for re-negotiation and the price range is also subject to review.

COFFEE

Highlights

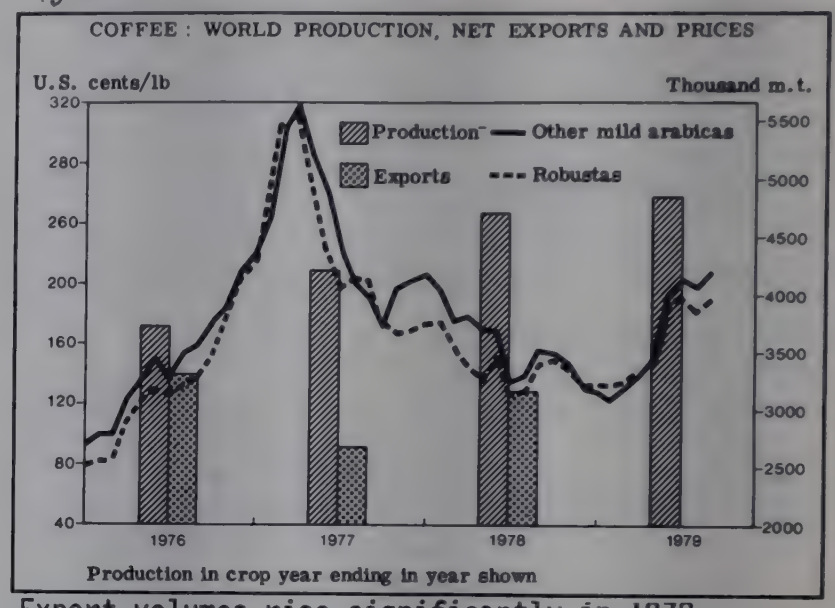
World coffee production recovered further in 1978/79 from the frost-affected output of 1976/77 to exceed slightly estimated consumption. As a result of improved supply prospects, international coffee prices declined significantly from U.S.$1.90 per lb early in 1978, to less than $1.30 per lb in February 1979. Earnings from coffee exports were also lower in spite of a substantial increase in export volumes during 1978. Import demand improved considerably from the depressed situation prevailing during 1977, reflecting a significant rise in consumer purchases due to lower retail prices.

Frosts in August 1978 and June 1979 in Brazil, greatly reduced the prospects for improved crops in 1979/80 and 1980/81. As a result, prices have increased again since June 1979 and have been fluctuating around U.S.$1.95 per lb. Also, the exportable production forecast for 1979/80 is likely to be only marginally above import requirements. The resulting tight supply situation is likely to mean continuing price volatility, unless price support measures by producers are effective in curbing this or consuming and producing countries can agree on effective stabilization measures.

Significant recovery in the 1978/79 world coffee output

World coffee production rose by about 12 percent during 1978/79 to 4.7 million tons, largely reflecting a further recovery of the Brazilian crop from the adverse effects of the 1975 frost. Output in Colombia and Indonesia maintained its upward growth, while production in the Ivory Coast increased significantly above the drought-affected crop of 1977/78. On the other hand, output in some Central American countries declined due to inadequate rainfall.

Figure 2



Export volumes rise significantly in 1978

Overall exports of green coffee rose by 18 percent from the depressed 1977 level, to reach 3.16 million tons. Exports of soluble coffee also increased significantly in 1978 as a consequence of improved import demand, increased availabilities in Colombia and less restrictive export policies in Brazil. Exports from Brazil slightly exceeded the officially proposed target of 720 000 tons, including 128 000 tons of soluble coffee. Colombia continued to increase its share of world coffee exports to 17 percent from 11 percent in 1977, in spite of transportation and shipping difficulties. Indonesian export volumes have continued to increase, while Uganda's exports dropped again due to political difficulties.

Consumption recovery helps to raise import levels

Coffee demand has recovered markedly in most major consuming countries as retail prices declined from the peak levels reached in mid 1977. Coffee roastings in the United States during the first ten months of 1979, were 7 percent above roastings during the same period in 1978 and 23 percent above those of 1977. Available information suggests an upward trend in consumption also in most European countries. The use of coffee extenders, such as chicory, which gained a significant share of the market during 1977, seems to have decreased considerably.

TABLE 2 - GREEN COFFEE: PRODUCTION, TRADE AND STOCKS

PRODUCTION 1/

	1974-76 average	1977	1978 (prelim.)	1979 (forecast)
	(. . . . . thousand tons . . . . .)			
World total	4 446	4 216	4 718	4 845
Brazil	1 087	958	1 226	1 262
Colombia	544	630	696	690
Other Latin America	1 093	1 142	1 103	1 193
Africa	1 288	1 005	1 136	1 138
Asia and Oceania	434	481	557	562

EXPORTS

	1974-76 average	1977	1978
	(. . . thousand tons . . .)		
World total	3 324	2 673	3 160
Brazil	757	512	621
Colombia	424	307	542
Other Latin America	769	690	729
Africa	1 138	880	916
Asia and Oceania	236	284	352

VALUE OF EXPORTS

	1974-76 average	1977	1978
	(million U.S. dollars)		
World total	5 358	10 889	9 821
Brazil	1 297	2 299	1 947
Colombia	755	1 498	2 100
Other Latin America	1 266	2 913	2 386
Africa	1 737	3 333	2 435
Asia and Oceania	303	846	953

EXPORT UNIT VALUES

	1974-76 average	1977	1978
	(. . U.S. dollars per ton. .)		
World total	1 612	4 074	3 108
Brazil	1 713	4 490	3 135
Colombia	1 781	4 879	3 875
Other Latin America	1 646	4 222	3 273
Africa	1 526	3 788	2 658
Asia and Oceania	1 284	2 979	2 707

NET IMPORTS

	1974-76 average	1977	1978
	(. . thousand tons . .)		
World total	3 394	2 851	3 159
Developing countries	169	137	117
Latin America	55	33	41
Africa	79	65	58
Asia and Oceania	35	39	18
Developed countries	3 225	2 714	3 042
United States	1 124	794	1 036
EEC	1 188	1 087	1 192
Other western Europe	467	382	414
E. Europe & U.S.S.R.	195	197	177
U.S.S.R.	50	45	26
Australia	27	29	22
Japan	114	134	102
Other developed	110	91	99

CARRYOVER STOCKS

	1974-76 average	1977	1978
	(. . thousand tons . .)		
2/ 3/ Producing countries	2 658	1 710	1 926
Colombia milds	176	279	372
Other milds	256	141	188
Unwashed Arabicas	1 614	797	900
Robustas	612	493	466
3/ 4/ Importing countries	473	412	309
United States	210	158	128
Others	263	254	181

PRICES 5/

	1974-76 average	1977	1978
	(U.S. cents per pound)		
Unwashed Arabicas	101.8	308.0	165.3
Colombia Mams	105.6	240.2	185.2
"Other Mild" Arabicas	91.3	234.7	162.8
Robustas	82.4	223.8	147.5
Composite price 6/	86.9	229.1	155.2

1/ Crop year beginning in the year shown.
2/ Crop season ending on 31 March or 30 September, depending on country.
3/ As reported by the International Coffee Organization.
4/ Stocks as of 30 September.
5/ International Coffee Organization indicator prices.
6/ International Coffee Agreement 1976.

In response to improved consumer demand, net imports of green coffee in 1978 increased to 3.16 million tons from 2.85 million tons in the previous year. This reflected a 30 percent rise in import demand in the United States and a 9 percent increase in western Europe. Imports of green coffee into Japan and the U.S.S.R., however, were significantly lower. Overall import demand in 1979 has continued to rise with requirements expected to reach about 3.5 million tons.

Variations in export earnings reflect price fluctuations

With improved supplies in prospect, the 1976 International Coffee Agreement composite price declined from about U.S.$1.90 per lb early in 1978, to less than $1.30 in February 1979. In spite of the larger volume, overall earnings from green coffee exports thus decreased to about U.S.$9 800 million compared with $10 900 million in the previous year. Earnings from exports of processed coffee also decreased by about 10 percent to $1 150 million in 1978. Colombia, however, raised earnings from official exports by about $600 million to $2 100 million, as a result of the sustained increase in export volumes. The frost in Brazil in June 1979, caused the composite price to increase again and fluctuate around $1.95 per lb. As a result of higher prices, earnings from coffee exports may rise somewhat in 1979.

Tight supply situation in prospect

World coffee production during 1979/80 is forecast to rise only by about 2.7 percent to 4.85 million tons. The prospects for larger crops in Brazil during the next two seasons were greatly reduced by frost damages in August 1978 and June 1979. As a result, output is expected to be only marginally higher at 1.26 million tons in 1979/80. The latest frost affected plantings, including a great number of young trees, in areas which are normally less prone to frost occurence. Production in Colombia will probably be unchanged from the last season, while in the Dominican Republic, crop prospects were adversely affected by hurricane David. Lower production is anticipated in Kenya and Indonesia, but crops in the Ivory Coast and India are likely to be excellent.

World exportable production during 1979/80 is forecast at about 3.65 million tons, after accounting for domestic requirements in coffee producing countries of around 1.2 million tons. As in the past, export policies of the large producing countries, particularly Brazil, are likely to be influenced by efforts to support prices and maximize export earnings, which may be reflected in temporary withdrawing from the market, changes in the level of export taxes and in the minimum export price requirements, and possibly direct market operations through the Fund established by the "Bogota Group" of producing countries. On the other hand, these countries will face pressures to increase sales for balance of payment reasons and in order to maintain, increase or recover lost market shares. This may be the case of Brazil, which intends to raise its export target from 780 000 to 840 000 tons in 1980. Export performance would also be an important indicator if export quotas were to be introduced under the International Coffee Agreement.

The actual level of import demand will depend largely on price levels, and consumer reaction to the recent upward trend in retail coffee prices. Overall import requirements, however, may be expected to range between 3.4 to 3.6 million tons. Projected exportable production therefore exceeds import requirements by only a narrow margin. As a result, carryover stocks in producing countries will remain at the relatively low levels of the last few years.

In this tight supply situation, coffee prices are likely to remain volatile. Discussions on price stabilization measures should continue under the International Coffee Agreement. Producers and consumers failed during the meeting of the International Coffee Council in September 1979, to reach an agreement to raise the trigger price for export quotas from the current 77.46 U.S. cents per lb. The Council, however, approved a resolution by which its Executive Committee will meet to examine possible market measures whenever the 20-day average Composite Indicator Price drops below U.S.$1.68 per lb., or increases above U.S.$2.28 per lb. In the meantime, the "Bogota Group" of producing countries has decided to attempt to support prices through direct market operations.

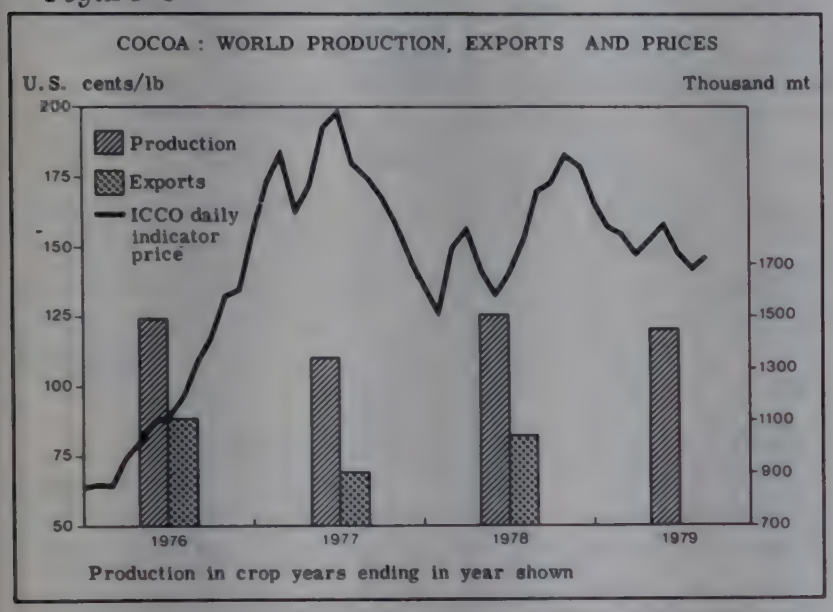
COCOA

Highlights

World cocoa production exceeded grindings by a wide margin in 1978/79 for the second consecutive year. Prices, which had been rather stable during the latter part of 1978, declined

throughout the first ten months of 1979. Several factors contributed to this decline: the rate of shipments from Ghana approached normal levels, there was a huge increase in arrivals of the Brazilian Temperão crop, along with the usual summer downturn in grindings, and preliminary forecasts indicated another surplus of production over consumption for 1979/80. The record cocoa prices obtaining in 1977 were reflected in a sharp increase in 1978 export earnings, which were over 26 percent higher than export earnings in 1976 and about 127 percent above the 1974-76 average. The prospects for 1979/80 indicate a small increase in world cocoa production, a sizeable recovery in grindings and another production surplus. Prices could come under considerable downward pressure.

Figure 3



Small decline in production and only slight recovery in 1978/79 grindings

World production of cocoa in 1978/79 is provisionally estimated at 1 500 thousand tons, less than one percent below the 1977/78 crop. West African production fell substantially below the 1977/78 level, mainly due to an exceptionally poor crop in Nigeria, which amounted to only 160 thousand tons, 20 percent below the level of the previous year. There were small production declines in Ghana and Togo. In contrast, Ivory Coast reported another record crop of 312 000 tons. Cocoa production in Latin America made further progress, reaching almost 540 thousand tons in 1978/79. Brazilian production rose by about 10 percent to an unprecedented 306 000 tons, despite the outbreak of pod rot in Bahia following excessive rains. The latest estimates for Ecuador indicate a four percent increase in output to 78 thousand tons. Colombia recorded an increase of about 10 percent, while elsewhere in Latin America aggregate cocoa production in 1978/79 probably stagnated at the previous year's level. Papua New Guinea's output remained roughly at the level of the past few years, while Malaysia had a record crop of 26 thousand tons, an increase of 18 percent above the 1977/78 output.

Revised data for 1978/79, show that world cocoa grindings increased by about 2 percent to 1 407 thousand tons. However, grindings in developing countries remained at the 1977/78 level. Within the developing regions, the increases in grindings in Latin America were fully counter-balanced by declines in Africa, particularly in the Ivory Coast. Among the developed countries, the U.S.S.R. increased grindings by as much as 20 percent, while the eastern European countries reported a substantial decline, partly due to increased imports of processed cocoa products. In the EEC, grindings increased moderately. Declines in cocoa bean prices since early 1979 provided some of the incentive for increased grindings in importing countries.

Prices weaker but export earnings reach record levels

Cocoa prices remained at the very high levels (around 175 to 180 U.S. cents per lb until the end of 1978. Towards the end of the year, when it became clear that grindings had recovered only marginally from the very low level of the previous year, prices started to decline and this continued until mid April 1979, when they reached 145 U.S. cents per lb. Prices dropped further to around 130 cents, on confirmation that the downward trend in Ghanian output had been halted and that production losses in Nigeria would be offset by record crops in Ivory Coast and Brazil. Daily prices during 1979, as in previous years, were, however, still considerably above the maximum price stipulated by the International Cocoa Agreement.

The average cocoa export unit value in 1978 was a record 333 U.S. cents per kg., which compared favourably with 291 cents in 1977 and 141 cents on average in 1974-76. As a consequence of this increase and a sizeable recovery in shipments, earnings from world cocoa exports rose by 26 percent in 1978, to a new high at U.S.$4 588 million. The Ivory Coast had a very good export year, raising its foreign exchange income from cocoa by 67 percent to U.S.$930 million.

TABLE 3 - COCOA: PRODUCTION, UTILIZATION AND TRADE

PRODUCTION 1/

	1974-76 average	1977	1978 (prelim.)	1979 (forecast)
	(. . . . . thousand tons . . . . .)			
World total	1 467	1 510	1 500	1 512
Brazil	248	279	306	300
Other Latin America	205	228	233	232
Ghana	364	271	265	270
Ivory Coast	233	304	312	300
Nigeria	198	202	160	180
Cameroon	99	108	108	110
Other Africa	60	53	49	51
Asia and Oceania	60	65	67	69

EXPORTS

1974-76 average	1977	1978
(. . thousand tons . .)		
1 139	907	1 044
145	108	134
100	76	73
321	249	207
190	158	254
205	165	208
77	53	65
52	49	53
49	49	50

GRINDINGS 1/

	1974-76 average	1977	1978 (prelim.)	1979 (forecast)
	(. . . . . thousand tons . . . . .)			
World total	1 463	1 382	1 407	1 457
Developing countries	425	487	486	517
Latin America	246	294	304	311
Asia and Africa	171	183	172	194
Asian CPE	8	10	10	12
Developed countries	1 033	895	921	940
EEC	434	432	429	429
Other western Europe	92	77	75	76
United States	208	157	168	170
Eastern Europe and U.S.S.R.	235	176	195	210
Eastern Europe	109	96	75	80
U.S.S.R.	126	80	120	130
Other developed	69	53	54	55

IMPORTS

1974-76 average	1977	1978
(. . thousand tons . .)		
1 168	1 002	1 092
37	27	32
16	6	8
14	13	16
7	7	8
1 131	975	1 090
468	468	500
99	93	89
234	174	213
262	175	201
117	102	98
145	73	103
68	65	57

VALUE OF EXPORTS 2/

	1974-76 average	1977	1978
	(. . . million U.S. dollars . . . .)		
World total	2 020	3 641	4 588
Brazil	340	772	800
Ghana	503	797	947
Nigeria	337	577	757
Cameroon	154	227	293
Ivory Coast	333	559	931
Others	353	709	860

EXPORT UNITE VALUES 3/

1974-76 average	1977	1978
(.. U.S. cents per kg ..)		
141.0	290.9	332.6
149.1	404.6	338.7
138.4	269.0	399.9
145.7	292.0	333.8
149.1	281.4	296.5
136.8	253.7	284.2
135.2	286.1	331.5

PRICES

	1974-76 average	1977	1978
International Cocoa Organization daily price (U.S. cents per lb)	73.4	171.9	154.4
Ghana, spot London (£ per m.t.)	1 037.4	2 943.9	2 005.6

1/ Crop year beginning 1 October of the year stated.
2/ Including cocoa products.
3/ Beans only.

Small increase in production but recovery in grindings forecast for 1979/80

First forecasts for 1979/80 indicated that world cocoa production will be about one percent larger than in 1978/79. African production is likely to grow by around 2 percent, mainly due to a recovery of output in Nigeria, where an average crop is expected. A small upturn of output is also forecast in Cameroon and Ghana. The raising of the producer price in Ghana, from Cedis 80 to Cedis 120 per headload in July 1979, should provide an incentive for more intensive harvesting. On the other hand, there may be adverse effects on production arising from the simultaneous withdrawal of subsidies on certain production requisites. Early forecasts for Ivory Coast indicated a smaller crop in 1979/80. Heavy rains at the beginning of harvesting have adversely affected the crop as it led to increased rotting of pods on trees. In Latin America, Brazil is expected to have a slightly smaller crop. Total output of the region should be marginally lower than in 1978/79, as higher production in Colombia will probably offset hurricane-caused losses in the Dominican Republic. Small production gains are envisaged in Asia and Oceania.

The outlook for world cocoa grindings in the 1979/80 crop year, reflects the expectations of increased cocoa utilization. Larger grindings in importing countries will reflect higher bean purchases of the U.S.S.R. and eastern Europe, prompted by a sustained decline in prices. Among producing countries, the increases in grindings in Ivory Coast, Brazil and Colombia are expected to be only partly offset by smaller grindings in Ecuador and the Dominican Republic. Total world cocoa utilization might increase by around 3.5 percent, still leaving a surplus of production over grindings of 39 000 tons, after adjustment of production estimates for weight losses. The expected surplus, the third in a row, would bring world cocoa stocks to over half a million tons and this should exert some further downward pressure on prices.

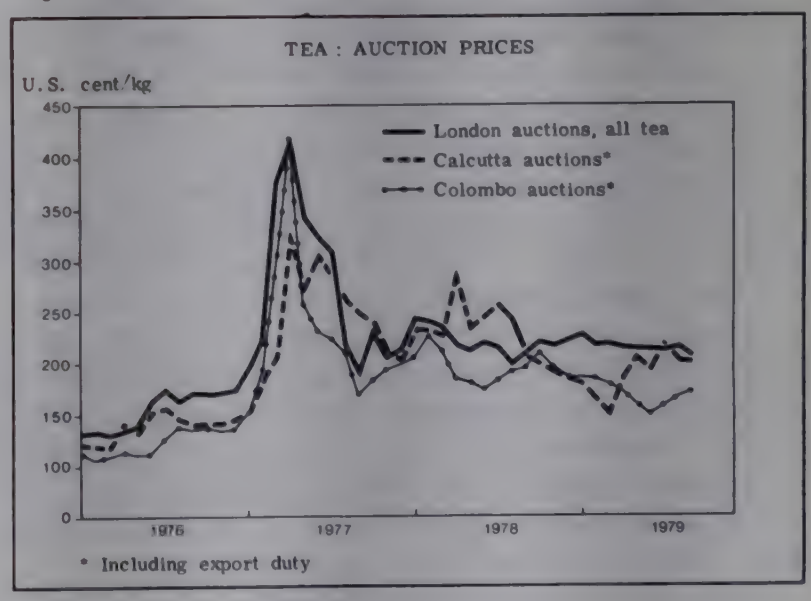
The first and the second parts of the United Nations Cocoa Conference 1979, to replace the International Cocoa Agreement 1975, were held in Geneva in January/February and July/August 1979. At the end of the second part of the Conference, the principal outstanding issues related to prices, institution of buffer stocks settlement of accounts with withdrawing or excluded members and the duration, extension and termination of the Agreement. The Third part of the Conference was scheduled to be re-convened from 19 to 30 November 1979, where it was hoped that these outstanding problems would be resolved. In the meantime, the International Cocoa Council had extended the 1975 Agreement for six months until 31 March 1980, subject to further review by the Council before that date.

TEA

Highlights

World tea prices, since the down-turn from the extraordinarily high levels in early 1977, have generally continued to decline. World import demand dropped as the result of widespread de-stocking in the developed countries, leading to reduced volume and value of world exports during 1978. Following a modest expansion in 1978, world production, excluding the Asian centrally planned countries, may have been marginally lower in 1979. After the volatility experienced in the last two years and the return to normal buying behaviour in the world market, import demand in the developed countries should resume its slow growth which, together with the expanding demand in developing countries, should result in a resumption of the long-term upward trend in trade.

Figure 4



Production reduced by drought in 1979 following modest expansion in 1978

World tea production 1/ continued to expand in 1978, but the increase was only 1.6 percent. This compares with the longer-term growth rate of 3 percent between 1964-66 and 1974-76 and the extraordinary increase of 11 percent in 1977, when output was stimulated by high prices. India, Indonesia, Kenya, Tanzania and Turkey again attained record outputs. However, the increases in these countries were partially offset by reductions in Sri Lanka, Bangladesh, Argentina and Uganda. Production in China, officially reported for the first time for many years, was 268 000 tons in 1978 against 252 000 tons in 1977.

Data for the first 7 to 9 months of 1979 indicated that known production of tea was running about 20 000 tons below that of 1978. A protracted drought affected production in North East India and despite a further increase in the South Indian crop, it is likely that the 1979 total for India fell well below the levels of the two preceding years. Output in Bangladesh was also affected by the drought and very little tea was being produced in Uganda. However, production in Sri Lanka showed some improvement notably in the high elevation zones. In Kenya, production has continued its strong upward trend and is likely to exceed 100 000 tons in 1979. There was some recovery from the 1978 drought-affected crop in Argentina.

International trade in tea declined in 1978

As the result of a fall in import demand, world tea exports in 1978 declined by about 4 percent from the record volume reached in 1977. The brunt of this decline was borne by India, whose competitive position was affected by a strong domestic demand and the continued application of an export duty introduced in April 1977. Its exports fell by 70 000 tons to 169 000 tons, the lowest volume since 1969. The decrease resulted in an exceptionally large carryover, but export sales began to recover sharply following the abolition of the export duty in February 1979. Exports from other Far East countries, including Sri Lanka, Indonesia and Bangladesh, and from Africa, were higher in 1978 than in the previous year. Kenya replaced India as the largest supplier to the United Kingdom market.

There has been a significant development in the role of packaged items, including tea bags, instant tea and particularly packet tea, in the trade of the major tea exporters. Exports of these items from India and Sri Lanka at respectively 40 000 and 25 000 tons in 1978, were twice as large as in 1977. Bangladesh has also commenced exporting packet tea. In order to encourage these exports, governments are providing a range of fiscal and other incentives.

The decline in the volume of exports in 1978, together with considerably lower prices, led to a substantial fall in foreign exchange earnings. At the world level, the value of tea exports accruing to net exporting countries, excluding China and Viet-Nam, amounted to approximately U.S.$1 290 million in 1978, about 17 percent less than the record total of U.S.$1 545 in 1977.

Import demand in 1978 was reduced by pro - longed de-stocking in almost all developed countries following their heavy purchases in late 1976 and early 1977, and world net imports fell sharply to about 710 000 tons, the lowest volume since 1973. The decline was particularly severe in the United Kingdom where net imports dropped 30 percent to 149 000 tons, the lowest since 1950, and stocks in public warehouses, including those held by primary wholesalers, were reduced by 15 percent. There were also reductions in household and other stocks and apparent consumption declined by as much as 10 percent. In the United States, imports declined by more than 25 percent to their 1972 level, and the growth of tea consumption was halted. There was also a marked decrease in the net imports of the U.S.S.R., partly offset by a further expansion in those of Poland. Net imports into the developing countries continued to expand but the increase was too small to offset the reductions in developed countries. Most of the increase took place in the Near East, and imports into Egypt, Sudan, Iran, Syria and Saudi Arabia, were at record levels.

Import demand recovers in 1979, but prices trend downwards

Data for the first five to eight months of 1979 showed that imports into the developed countries were, on the whole, running about 12 percent above the level of the corresponding period of 1978, though still well below those of

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1/ *Excluding China and Viet Nam.*

TABLE 4 - TEA: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION			EXPORTS 1/			VALUE OF EXPORTS 2/		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand tons . .)			(. . thousand tons . .)			(million U.S. dollars)		
World total	1 540	1 751	1 792	732	774	745	756	1 545	1 290
Developing countries	1 350	1 538	1 571	732	774	745	756	1 545	1 290
Latin America	46	47	39	28	33	39	22	45	36
Africa	150	195	197	133	154	166	136	302	268
Kenya	57	86	93	54	70	85	64	173	164
Near East	75	99	116	4	4	2	2	7	3
Far East	816	896	899	490	493	449	591	1 182	971
India	496	561	571	221	230	169	276	609	426
Sri Lanka	205	208	199	196	186	193	241	410	405
Indonesia	80	85	89	48	51	56	51	118	95
Others	35	42	40	25	26	31	23	45	45
Oceania	5	6	7	4	6	7	5	9	12
Asian CPE	258	295	313	73	84	82	...	...	...
China 3/	240	278	294	69 4/	81 4/	77 4/	...	...	...
Developed countries	190	213	221	-	-	-	-	-	-
Japan	100	102	105	-	-	-	-	-	-
U.S.S.R.	86	106	111	-	-	-	-	-	-

	NET IMPORTS		
	1974-76 average	1977	1978 (prelim.)
	(. . thousand tons . .)		
World total	739	788	711
Developing countries	255	273	314
Latin America	13	14	16
Africa	36	34	48
Near East	140	143	172
Far East & Oceania	60	77	73
Pakistan	47	61	58
Asian CPE	6	5	5
Developed countries	484	515	397
United Kingdom	200	208	149
Other EEC	39	52	40
Other western Europe	11	16	11
United States	78	91	67
E. Europe & U.S.S.R.	65	58	54
Other developed	91	90	76

	EXPORT UNIT VALUES		
	1974-76 average	1977	1978 (prelim.)
	(..U.S. cents per kg...)		
World 2/	114.6	224.0	194.7
India	125.2	264.6	251.8
Sri Lanka	123.2	222.5	210.3
Africa	100.5	196.4	161.5

	PRICES		
	1974-76 average	1977	1978
Weighted average price for tea sold at auction in:	(Nat. currency per kg)		
Colombo (S.L. Rupees)	7.6	16.0	14.1
Calcutta (Indian Rupees)	11.3	16.8	14.2
Cochin (Indian Rupees)	9.8	16.3	12.3
Mombasa (Kenyan Shillings)	8.8	17.4	12.4
London (Pence)	68.8	156.3	113.7
	(U.S. cents per kg 5/)		
Colombo 6/	117.4	224.5	223.4
Calcutta 6/	133.6	239.1	201.2
Cochin 6/	115.5	230.6	194.3
Mombasa	114.6	209.7	160.7
Weighted average of above four auctions	123.0	229.4	188.2
London	143.1	271.3	218.4

1/ Net exporting countries only.
2/ Net exporting countries other than China and Viet Nam.
3/ Including Province of Taiwan.
4/ Estimated.
5/ Converted monthly on basis of average exchange rates reported by IMF.
6/ Including export duties.

1977. Net imports into the United Kingdom in January to August were 23 000 tons above the level during the same period of 1978 and, excepting the United States, the recovery in imports has taken place in other developed countries as well.

Following the rapid decline from the peak levels of April 1977, export prices tended to improve early in 1978, but thereafter again resumed a downward trend which continued until August 1979. The fall in prices was greatest at the Indian auctions and, despite the reduction in output in North East India, the seasonal peak prices for the new season's tea at the Calcutta auctions, were substantially lower than in 1978. However, once the bulk of the large carryover of the old season's tea in India had been disposed of and production continued to fall behind that of 1978, prices at all the main auction centres began to show a modest improvement in August and September.

Further reduction in foreign exchange earnings in 1979, but prices likely to strengthen through early 1980

The recovery of import demand in developed countries appears likely to result in an increased volume of world trade in tea in 1979 and, in particular, a recovery in the exports of India to around 200 000 tons. Indeed, there could be some further strengthening of demand in the latter part of 1979, since commercial stocks in the major developed countries appear to be relatively low. However, in view of the reduction, relative to 1978, in the average f.o.b. prices already realized in the first nine months of 1979, the foreign exchange earnings of many exporting countries may be smaller than in 1978, especially when expressed in terms of sterling.

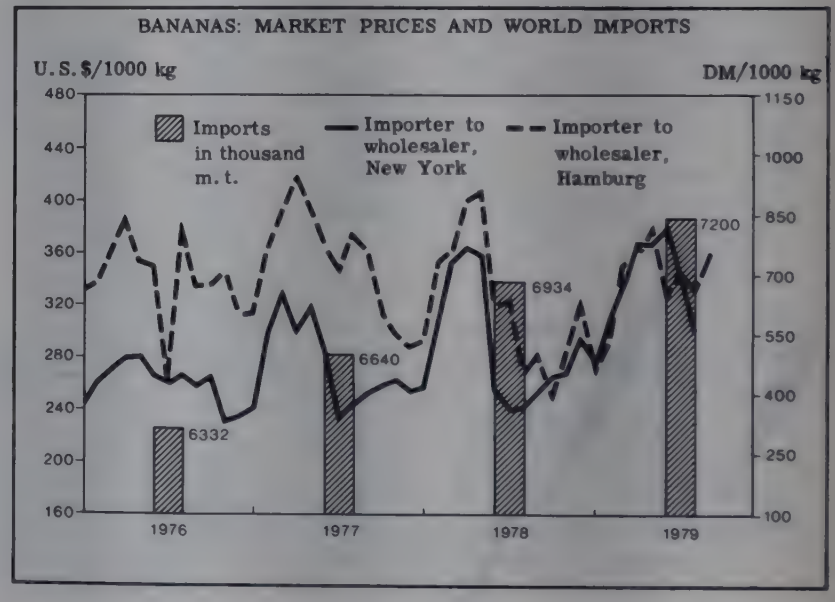
Mainly as the result of the shortfall in North East India, world production in 1979 (other than that of China 1/ and Viet Nam) might - for the first time since 1952 - be marginally lower than in the preceding year. On balance, therefore, the supply/demand position would appear likely to favour some strengthening of prices through the spring of 1980.

BANANAS

Highlights

World trade of bananas in 1978 increased by 6.5 percent to 7.3 million tons and over the first eight months of 1979 was running about 5 percent above the level of January-August 1978. The fairly balanced situation between supply and demand, which lasted about two years, was upset during the second half of 1978 as supplies and exports increased and prices in most importing countries came under downward pressure. Supplies remained abundant during the first eight months of 1979 and strong increases in imports were recorded in North America, the Federal Republic of Germany and Japan. Prices continued to decline in 1979 in the Federal Republic of Germany, but held fairly firm in the United States and Japan. Hurricane David and associated tropical storms caused heavy damage in the Caribbean in August 1979, but the full market impact of this loss, which may not be felt until the spring of 1980, is unlikely to be as severe as hurricane Fifi in 1974. Total export earnings from bananas rose in 1978 in current dollar terms by about 14 percent.

Figure 5



World trade increases in 1978 and 1979

Exports from member countries of the Union of Banana Exporting Countries (UPEB) 2/ rose significantly in 1978 to a record 3.3 million

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1/ *China is reported to have had a larger spring crop in 1979.*

2/ *Colombia, Costa Rica, the Dominican Republic, Guatemala, Honduras, Panama, and as of October 1979, Nicaragua.*

tons, the largest increases occurring in Honduras, Panama and Colombia. Shipments from Ecuador also rose strongly and the long-term programme of converting banana acreage from Gros Michel to Cavendish was virtually completed during the year. Caribbean exports recovered significantly in 1978, reflecting a further general improvement in both production and quality. In Africa, exports from the Ivory Coast also recovered, but still remained below the 1972 record of 164 000 tons. Better growing conditions and modernization of some plantations resulted in higher yields and better quality of fruit. In the Far East, exports from the Philippines remained practically unchanged, while exports from China declined.

The abundant supply situation prevailing during the second half of 1978 continued during the first eight months of 1979, at least in relation to Latin American exporting countries and the Philippines. However, in August 1979, hurricane David virtually eliminated production in Martinique, Guadeloupe and Dominica, and also in the Dominican Republic. Preliminary estimates have placed total loss of fruit in the neighbourhood of 300 000 tons.

Higher banana imports into North America, western Europe, eastern Europe and the U.S.S.R. more than offset lower imports into Japan, the Near East and North Africa in 1978. Imports into the United States reached a record level and reflected mainly higher shipments from Honduras, again the leading supplier of the market. Imports into western Europe as a whole, and into the European Economic Community, both increased by 6 percent to equal the record levels of 1973, with the largest absolute increases occurring in the Federal Republic of Germany, Italy, the United Kingdom and Austria. Imports into the Federal Republic of Germany accelerated sharply as the year progressed and the position on this market changed from one of balance to one of heavy surplus. The increase in Italian imports resulted both from higher quotas for third country imports and from larger intakes from Martinique.

On the contrary, imports into Japan declined for the third consecutive year, reflecting importers' continuing attempts to stabilize the market at remunerative prices. The average annual fall over the three years has been 3 percent. Imports into the centrally planned countries of eastern Europe and the U.S.S.R. increased by 10 percent to 317 000 tons in 1978; these countries now account for about 5 percent of world imports. A 6 percent decline was also recorded in imports into the Near East and North Africa, mainly due to reduced intakes by Iran, the major market.

During 1979, strong increases in imports were recorded in the first eight months of the year in North America, the Federal Republic of Germany and Japan. In the North American market, smaller supplies of competitive domestic fruit helped to strengthen the demand for bananas, particularly in the first quarter of the year, but in the Federal Republic of Germany the banana market has been under almost continuous pressure of heavy supplies. The increase in imports into Japan reversed the downward trend, although it is not yet possible to predict whether this reversal will be sustained. Imports into the Near East and North African countries are estimated to have declined again in 1979, largely due to a significant cut-back in purchases by Iran. There are as yet no firm data on the progress of imports into eastern Europe and the U.S.S.R., but indicative targets provide for further increases.

Prices vary from market to market

Import prices in 1978 on the free markets of North America and western Europe were generally sustained during the first half of the year, but then declined as banana supplies became increasingly abundant. However, for the year as a whole, average prices varied from market to market. While import prices in the United States rose in current terms, they declined considerably in the Federal Republic of Germany, reflecting in the latter case increased supplies and aggressive marketing by major importers, especially during the third quarter of the year.

In North America, the sustained banana demand, possibly assisted by better coordinated marketing, resulted in a rise in import prices to record levels in mid 1979. In the Federal Republic of Germany, apart from a two-week period in early September, the downward pressure on banana prices continued through the first nine months of 1979. During the first half of 1979, Japanese c.i.f. import prices rose in current terms, despite the higher volume imported. This reflects the practice of Japanese importers to negotiate prices and volumes in advance on a quarterly basis and the important role of seasonal demand factors.

On 1 October 1979, the Italian Government

TABLE 5 - BANANAS: WORLD TRADE

EXPORTS

	1974-76 average	1977	1978
	(. . thousand tons . .)		
World total	6 496	6 817	7 289
Developing countries	6 135	6 451	6 873
UPEB countries	2 724	3 019	3 254
Colombia	395	561	600
Costa Rica	1 038	961	955
Dominican Republic	27	17	24
Guatemala	248	261	255
Honduras	541	695	800
Panama	475	524	620
Other Central and South America	1 611	1 540	1 675
Nicaragua	126	113	130
Brazil	132	112	120
Ecuador	1 307	1 261	1 363
Others	46	54	62
Caribbean	475	515	580
Jamaica	74	76	78
Windward Islands	101	108	126
Guadeloupe 1/	112	106	133
Martinique 1/	188	225	243
Asia and Oceania	814	905	911
Philippines	750	834	858
Others	64	71	53
Africa	375	313	345
Cameroon	77	83	83
Ivory Coast	136	113	140
Somalia	87	54	57
Others	75	63	65
Asian CPE	136	159	108
China	130	150	100
Others	6	9	8
Developed countries	361	366	416
Israel	2	1	1
Portugal (Madeira) 1/	23	40	40
Spain (Canary Isl.) 1/	336	325	375

IMPORTS

	1974-76 average	1977	1978
	(. . thousand tons . .)		
World total	6 347	6 640	6 934
Developing countries	510	586	565
Argentina	116	100	110
Chile	45	50	53
Iran	105	126	100
Morocco	24	26	25
Saudi Arabia	36	68	65
Syria	24	41	50
Asian CPE	10	10	10
China	10	10	10
Others 2/	150	165	152
Developed countries	5 837	6 054	6 369
Western Europe	2 690	2 757	2 935
EEC	1 905	1 967	2 078
Belgium-Luxembourg	88	91	94
Denmark	34	33	38
France	475	500	500
Germany, F.R.	564	584	617
Ireland	28	37	40
Italy	296	305	347
Netherlands	114	120	132
United Kingdom	306	297	310
Other western Europe	785	790	857
Canada	224	231	236
United States	1 806	1 917	2 037
Japan	854	825	804
New Zealand	36	35	40
E. Europe and U.S.S.R.	227	289	317
U.S.S.R.	24	37	55
Eastern Europe	203	252	262
Czechoslovakia	56	63	72
German Dem. Rep.	107	120	120
Others	40	69	70

INDEX NUMBER OF VALUE OF EXPORTS

	1976	1977	1978
	(average 1974-76 = 100)		
World total	111	119	136
Latin America	111	122	141
Central America	113	121	140
South America	108	123	142
Caribbean	112	114	152
Africa	91	93	105
Spain (Canary Islands)	105	131	140
Far East	109	122	124

IMPORT PRICES

	1974-76 average	1977	1978
	(national currency per kg)		
France:Martinique, f.o.r. (Fr. francs)	1.93	2.32	2.43
Germany F.R., f.o.r. Central America (DM)	0.68	0.73	0.63
United States : Central & S.America, f.o.r. (US¢)	23.0	27.3	28.7
United Kingdom : Jamaica, greenboat price (New P)	16.2	21.3	23.2
Japan:Philippines (excl. cost of cartons), c.i.f. (Yen)	47.8	50.2	44.6

1/ Including shipments to metropolitan area.
2/ Other countries of Latin America, Asia and Africa.

raised the consumption tax on bananas from Lire 250 per kg (U.S.$295 per ton) to Lire 350 per kg (U.S.$435 per ton), an increase of 40 percent. This tax alone is more than 100 percent of the Italian c.i.f. prices and equals more than 100 percent of the importer selling price, f.o.r., in the Federal Republic of Germany and in the United States. When it is considered that another 20 percent of the c.i.f. value must be added to cover the common external tariff, the total tax incidence on bananas in Italy is about 30 percent of the retail price. Prices paid at retail for bananas now average about Lire 1 400 per kg (U.S.$1 720 per ton), more than twice the level of retail prices in the Federal Republic of Germany and the United States, and substantially higher than prices of competing domestic fruits. This is the second year in succession that the consumption tax on bananas has been increased in Italy.

Higher export earnings in 1978

Total export earnings from bananas in 1978 rose in current dollar terms by about 14 percent to $1 250 million, due to a combination of larger volume and higher f.o.b. unit values. However, since the index of unit value of exports of manufactured goods (which has been taken as a measure of the price increases of goods which banana producing countries have to import) also rose by about 14 percent in 1978, banana export earnings in real or deflated terms probably remain stationary.

Outlook

The full short-term impact of hurricane losses in the Caribbean may not be felt until the early spring of 1980, given the plentiful supplies of bananas in other Latin American exporting countries. While the direct effect on the industries and economies of the affected areas will be extremely severe, the longer-term impact on the world market of hurricane David is not expected to be as large as that of hurricane Fifi, which devastated Honduras in 1974. Most probably France, and to a lesser extent the United Kingdom, will increase their intake from Latin America to meet market shortfalls.

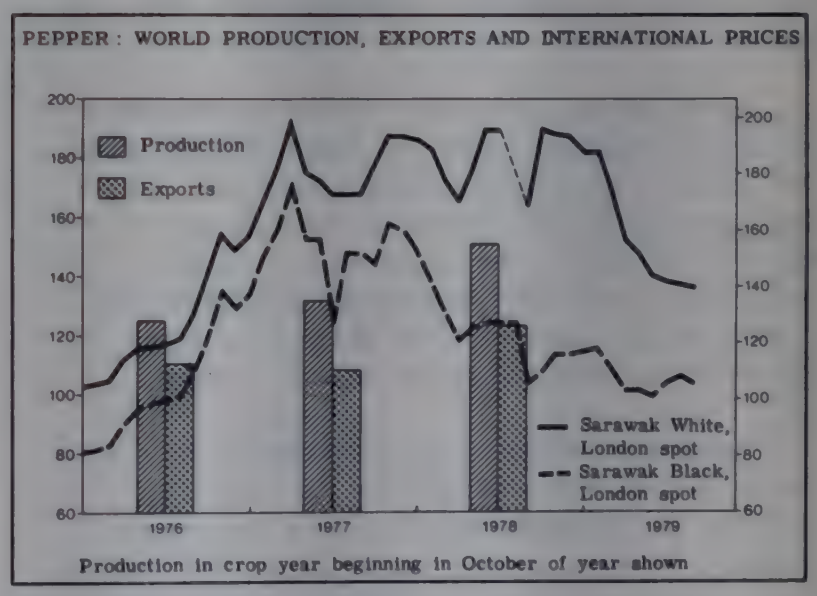
The FAO Intergovernmental Group on Bananas will meet in the first half of 1980 to review the progress report of its Working Party on Elements of an International Banana Agreement. As a complement to consideration of measures concerned with the establishment of production and export goals, the Group is expected to give special attention to joint development of promotion and consumption campaigns, crop insurance schemes, research and development, quality improvement and, where appropriate, the provision of assistance to countries wishing to diversify from bananas.

PEPPER

Highlights

World pepper production was a new record at 155 000 tons in 1978/79. Export and import tonnages also were at record levels so that, despite some decrease in export unit values from most origins, export earnings rose by 6 percent to almost U.S.$250 million. While black pepper prices tended to weaken until mid 1979, those of white pepper remained relatively stable; there was a tendency towards the beginning of the 1979 season for prices to rise again, reflecting a tight supply situation. Efforts are under way in most producing countries to increase production in the short as well as the medium term. Partial trade returns indicate that these could be reflected in higher exports already in 1979.

Figure 6



Substantial increases in production and trade; new record in 1978 export earnings

World pepper production in 1978/79 rose by 15 percent, to about 155 000 tons, largely due to a record crop in Brazil following increased plantings in new areas outside Para State. These areas were free of fuzarum fungus which damaged pepper plantings elsewhere in the state. Above average production was also recorded in India and Indonesia, while Malaysian production in 1978/79 recovered from the low level of the previous year

on account of reduced incidence of footrot and comparatively favourable weather in the principal producing area. Pepper production declined slightly in Africa.

World pepper exports set a new record of over 126 000 tons in 1978. Larger exports from Brazil, Indonesia and Malaysia more than offset a 22 percent decline in Indian exports and reduced shipments from Madagascar.
The U.S.S.R. and eastern Europe took three quarters of India's pepper exports, an increase of 12 percent over 1977. Shipments from India to the United States dropped to about one third of the previous year's volume due to high prices, which also affected India's exports to western Europe. Singapore became the major destination for Indonesian pepper in 1978. This is a dramatic change in Indonesian pepper export policy since Singapore had been virtually cut off from Indonesian supplies for a number of years and only returned as a major buyer in 1977. Indonesian exports of black pepper to the United States increased slightly, while the bulk of white pepper moved to the Federal Republic of Germany and the Netherlands. Malaysian pepper shipments increased in 1978, broadly in proportion to the growth in output, but Sri Lankan exports remained unchanged from the previous year.

World pepper imports - including imports for trans-shipment - rose to about 176 000 tons. Both developing and developed countries participated in the increase, but the bulk occurred in developing countries, notably Singapore. Among the developed countries, the United States, U.S.S.R. and eastern Europe accounted for the increased import demand.

Total export earnings from pepper rose to a new record of U.S.$249 million in 1978, reflecting the considerable increase in export volume. In fact, export unit values declined by 6 to 15 percent in major exporting countries, except India, where export prices remained at the high 1977 level, reflecting a purchase tax imposed by the state of Kerala.

There were considerable increases during the first quarter of 1979 in pepper exports from Indonesia and Malaysia, where shipments rose by 45 and 27 percent above the previous year's level respectively. Indian exports fell by 25 percent. Total pepper exports from the Far East in the first quarter of 1979 were about 3 percent higher than in the first quarter of the previous year; this region accounts for about 70 percent of world exports.

Prices slightly below 1977 record levels

White pepper prices remained nearly at the previous year's record levels during 1978, but black pepper prices tended to decline, under the impact of more ample supplies. Lampong and black Sarawak prices in fact fell steeply during the first nine months of the year, recovering somewhat in the last quarter. They fell again in the first months of 1979, reflecting ample supply and stabilized only towards mid year. On the other hand, Malabar almost maintained the high level of 1977 throughout 1978, reflecting the incidence of the Indian purchase tax.

White pepper prices also remained strong in all markets throughout 1978, reflecting short offerings of white pepper, and prices on New York and Singapore markets began to weaken only when the supply situation eased early in 1979. There still remains, however, a sizeable spread between prices for black and white varieties.

Short-term decline, but medium-term expansion expected in world pepper production

Forecasts indicate that world pepper output may fall slightly in 1979/80 mainly because of extremely adverse weather in Indonesia during the flowering period in early 1979. Production in this country is expected to decline drastically by 43 percent, or about 16 000 tons; this production shortfall will not be fully offset by gains in other countries. Consequently, the downward pressure on prices could ease, in particular for black pepper.

In the medium term, production should increase in all producing countries, reflecting current production expansion plans and common efforts to eradicate pests and diseases. In India, the Kerala Spices Research Centre is to be developed into a world centre for the conservation, classification and utilization of pepper germ plasm. High priority is accorded to increasing yields in areas under pepper, systematic rehabilitation and replanting schemes, and the identification of new areas for pepper growing. The potential of pepper cultivation in Assam and eastern India for diversification of cropping in tea gardens, is under study. In Indonesia, the Government has sought to increase production in Lampong and Bangka through use of subsidized inputs (BIMAS) to increase yields.

TABLE 6 - PEPPER: PRODUCTION, UTILIZATION AND TRADE

PRODUCTION

	1974-76 average	1977/78	1978/79
	(. . thousand tons . .)		
World total	121.7	135.3	155.0
Latin America	28.7	35.9	45.4
Africa	4.4	6.1	5.0
Far East	88.6	93.3	104.6
India	28.4	31.8	34.4
Indonesia	25.4	30.7	36.6
Malaysia	33.5	28.9	31.6
Others	1.3	1.9	2.0

EXPORTS

	1974-76 average	1977	1978
	(.. thousand tons ..)		
World total	100.5	110.6	126.6
Latin America	17.9	17.7	30.0
Africa	3.8	4.5	2.5
Far East	78.8	88.4	94.1
India	23.8	24.9	19.4
Indonesia	20.6	33.4	37.0
Malaysia	34.1	28.9	36.6
Others	0.3	1.2	1.1

VALUE OF EXPORTS

	1974-76 average	1977	1978
	(million U.S. dollars)		
World total	151.5	235.5	249.3
Latin America	29.4	39.5	60.0
Africa	5.7	8.4	4.8
Far East	116.4	187.6	184.5
India	37.7	56.6	46.0
Indonesia	31.4	66.6	69.0
Malaysia	47.3	63.2	68.2
Others	0.4	1.2	1.3

IMPORTS

	1974-76 average	1977	1978
	(. . thousand tons . .)		
World total	132.2	140.6	167.3
Developing countries	50.5	49.0	70.3
Latin America	4.5	4.4	5.2
Africa	5.1	5.6	6.5
Near East	5.6	7.6	9.5
Far East	34.1	30.1	47.8
Asian CPE	1.2	1.3	1.3
Developed countries	81.7	91.6	97.0
United States	25.1	26.5	28.5
EEC	25.1	27.0	27.3
Other western Europe	6.4	8.6	8.5
Eastern Europe & U.S.S.R.	15.7	16.9	19.5
Eastern Europe	6.5	6.9	8.6
U.S.S.R.	9.2	10.0	10.9
Others	9.4	12.6	13.2

RE-EXPORTS

	1974-76 average	1977	1978
	(.. thousand tons ..)		
World total	34.8	31.7	47.0
Singapore	31.4	27.8	41.0
Others	3.4	3.9	6.0

EXPORT UNIT VALUES

	1974-76 average	1977	1978
	(U.S. cents per kg)		
World	151.1	213.0	196.9
India	157.6	227.4	237.1
Indonesia	152.2	199.4	186.5
Malaysia	139.3	218.7	186.3
Brazil	164.7	223.1	199.9

PRICES

	1974-76 average	1977	1978
	(national currencies)		
COCHIN, black garbled (Rupees per 100 kg)	1 324	1 747	1 736
SINGAPORE, Sarawak white (Singapore dollars per picul of 60.48 kg)	257	376	356
LONDON, Sarawak white (New pence per kg)	117	174	181
NEW YORK, spot black Lampong (U.S. cents per pound)	86	115	105

Furthermore, Village Unit Cooperatives are in operation in Bangka, to purchase pepper from and provide production means to farmers participating in a pepper intensification scheme. Malaysia continues to assist farmers in a smallholders scheme, through cash grants, and the provision of fertilizers and planting material. During 1979 and 1980, an addition 1 100 hectares will be planted with pepper under this scheme: furthermore, the Malaysian Government has decided to reduce the export tax on pepper. In Brazil, pepper production is being promoted by CEPLAC, the Executive Planning Commission for Cocoa, which intends to diversify agriculture in the cocoa producing region of Bahia by planting pepper. At the international level, the Pepper Community (India, Indonesia, Malaysia and recently Madagascar) has initiated an extensive assistance programme for its member countries covering market development, establishment of a statistical intelligence network, production planning, and control of Phytophthera Footrot disease.

RECENT FAO COMMODITY REPORTS ON SUGAR, BEVERAGES AND TROPICAL CROPS

FAO. Special Feature - Centrifugal Sugar Consumption, 1966-1977. Monthly Bulletin of Statistics, Vol.1, No.12, December 1978.

FAO. Special Feature - Centrifugal Sugar Stocks. Monthly Bulletin of Statistics, Vol.2 No.5, May 1979.

FAO. Intergovernmental Group on Bananas. Current Situation and Outlook - Market Developments in 1978 and 1979 and Outlook for 1980. Rome, October 1979. (Document CCP:BA 79/2).

UNCTAD AND FAO. Prospective Supply/Demand Balance for Tea and the Implications for an International Buffer Stock Arrangement and for an Export Quota Scheme, for the period 1980 to 1984. Geneva, November 1979. (Document TD/B/IPC/TEA/AC/8).

OILSEEDS, FATS AND OILS, OILCAKES AND MEALS

Highlights

Since the fall in output 1/ in 1977, the oilseeds, oils and meals 2/ sector has experienced a period of strong growth, with sizeable increases in both production and consumption. As demand has risen at rates considerably faster than in the previous years, the increase in stocks has been very modest.

The value of world trade in oilseeds, oils and meals in 1979 should exceed the record of U.S.$24.4 million set in 1978. This was 13 percent above the previous peak reached in 1977 and reflected record volumes of exports 3/ by the developed countries and higher prices, in terms of current U.S. dollars, for oilseeds, oils and fats. In contrast, the export earnings of the developing countries were lower than in 1977, due to a reduction in the volume of their shipments.

Reflecting the strong demand, international prices of fats and oils in current dollars continued to advance in 1979 and the FAO index averaged 17 percent higher in the first ten months than in the corresponding period of 1978. Those of oilcakes and meals, which had declined by 8 percent in 1978, staged a recovery in current terms but, with high rates of general inflation in 1978 and 1979, real prices remained depressed.

Prospects for 1980 suggest that - for the third successive year - there will be an above-average increase in world production and export availabilities of both fats and oils and of oilcakes and meals. Even with a continuation of strong demand, output is unlikely to be fully absorbed by consumption and a build-up of stocks is expected.

Figure 7

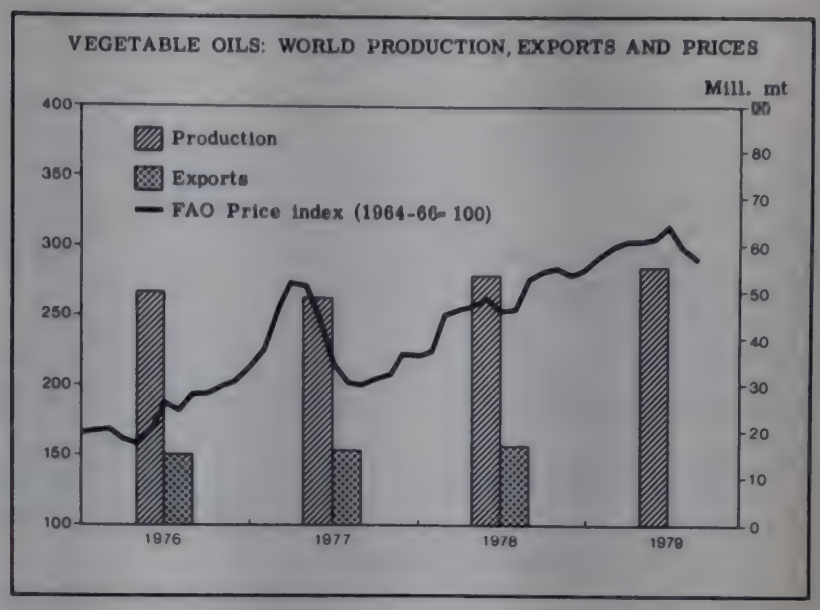
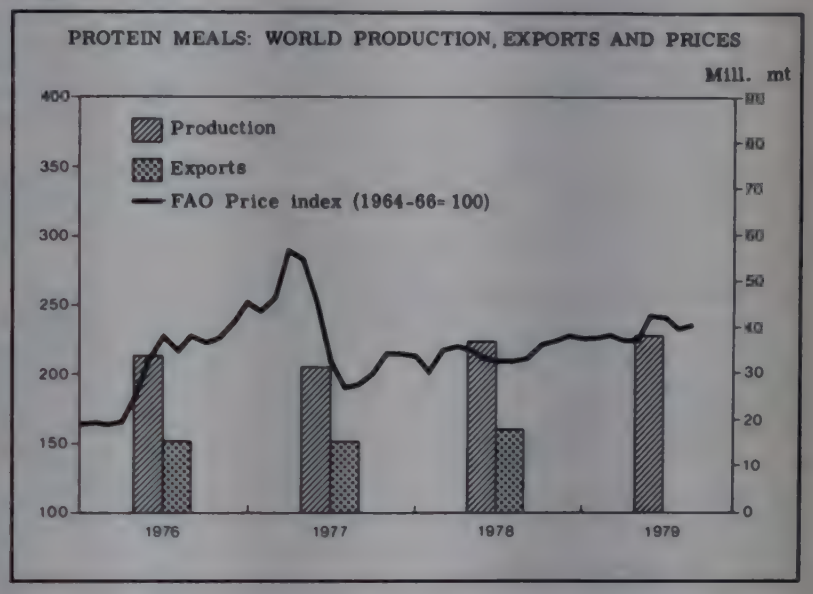


Figure 8



Output, consumption and trade increase in 1978

After the considerable fall in 1977 due to bad weather, world output of fats and oils recovered sharply in 1978 and reached 56 million tons. This was 4 million tons higher than the previous record (1976) and 2 million tons (3 percent) above the long-term trend.

1/ The output of vegetable oils and meals in a given year is calculated by applying extraction rates to the portion of the oilseed crop estimated to be available for crushing in that year, regardless of whether it is in fact crushed (either in producing countries or, after being exported in unprocessed form, in importing countries) or put into stock; output is thus not based on actual crushings.

2/ All data on oilcakes and meals appearing in this note are in protein equivalent unless otherwise stated.

3/ Figures on trade in oils and meals include the oil or meal equivalent of oilseeds traded.

TABLE 7 - FATS AND OILS, OILCAKES AND MEALS (PROTEIN EQUIVALENT): PRODUCTION AND TRADE

	PRODUCTION				EXPORTS 1/		
	1974-76 average	1977	1978 (prelim.)	1979 (estim.)	1974-76 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)				(. . thousand tons . . .)		
FATS AND OILS							
World total	50 150	50 440	55 820	57 380	14 720	16 980	18 210
Total edible/soap fats and oils	48 600	48 950	54 000	55 640	13 860	16 030	17 070
Edible fats	9 550	9 830	10 040	10 100	1 210	1 340	1 180
Butter (fat content)	5 440	5 740	5 790	5 800	620	660	540
Lard	4 110	4 090	4 250	4 300	410	500	460
Margarine and shortening	-	-	-	-	170	180	180
Soft oils	25 840	24 820	29 060	30 400	6 900	8 280	9 340
Soybean oil	9 610	9 520	11 580	12 200	3 980	4 850	5 720
Sunflowerseed oil	4 090	3 750	4 650	4 500	760	890	1 270
Groundnut oil	3 400	3 450	3 370	3 600	760	870	690
Cottonseed oil	2 890	2 790	3 100	3 000	380	410	410
Olive oil	1 600	1 360	1 650	1 700	190	230	230
Rapeseed oil	2 700	2 350	2 980	3 600	710	940	900
Other oils 2/	1 540	1 590	1 730	1 800	120	100	110
Lauric acid oils	3 630	3 790	4 000	3 900	1 740	1 760	1 830
Coconut oil	2 930	3 060	3 240	3 100	1 370	1 450	1 510
Palm Kernel oil 3/	700	730	760	800	380	310	310
Other edible/soap fats and oils	9 590	10 510	10 900	11 240	4 010	4 650	4 730
Tallow and greases	5 080	5 440	5 490	5 500	1 540	1 890	1 870
Palm oil	3 250	3 830	4 020	4 300	1 680	1 910	1 930
Marine oils	1 130	1 100	1 260	1 300	500	510	650
Other oils 4/	130	140	140	140	280	340	280
Technical oils	1 280	1 200	1 520	1 440	770	860	1 030
Linseed oil	780	750	970	900	270	350	460
Castorseed oil	370	300	420	400	200	180	230
Tung oil	100	100	100	100	50	40	40
Other oils 5/	20	40	40	40	240	290	300
Miscellaneous minor oils 6/	270	290	300	300	90	100	110
By economic region :							
Developing countries	21 470	22 760	23 500	25 250	6 000	6 720	6 630
Latin America	4 840	5 510	5 730	...	1 560	2 070	2 170
Africa	3 150	3 230	3 060	...	970	810	580
Near East	1 280	1 400	1 290	...	180	190	180
Far East	8 490	8 750	9 430	...	3 010	3 400	3 420
Asian CPE	3 460	3 570	3 690	...	90	30	50
Other developing	250	290	300	...	200	220	220
Developed countries	28 680	27 680	32 320	32 130	8 720	10 270	11 580
North America	12 640	12 000	15 340	...	5 430	6 830	8 150
Western Europe	6 280	6 100	6 840	...	1 680	1 870	1 850
EEC	4 230	4 010	4 690	...	1 210	1 270	1 250
Other western Europe	2 050	2 100	2 150	...	470	600	600
Eastern Europe and U.S.S.R.	8 270	7 950	8 350	...	960	870	690
U.S.S.R.	5 790	5 440	5 750	...	530	350	270
Eastern Europe	2 480	2 510	2 600	...	420	520	420
Oceania	760	750	810	...	490	530	580
Other developed	740	880	990	...	170	180	320

Note: For footnotes see Table 9.

TABLE 7 - FATS AND OILS, OILCAKES AND MEALS (PROTEIN EQUIVALENT): PRODUCTION AND TRADE (cont'd.)

OILCAKES AND MEALS	PRODUCTION 1974-76 average	PRODUCTION 1977	PRODUCTION 1978 (prelim.)	PRODUCTION 1979 (estim.)	EXPORTS 7/ 1974-76 average	EXPORTS 7/ 1977	EXPORTS 7/ 1978 (prelim.)
	(. . . . . thousand tons . . . . .)				(. . thousand tons . .)		
World total	32 380	31 540	37 260	38 600	13 470	15 370	17 960
Vegetable oilcakes	29 330	28 680	34 110	35 400	12 270	14 220	16 710
Soybean	19 240	19 030	23 180	24 400	9 750	11 440	13 830
Cottonseed	3 550	3 420	3 780	3 500	440	370	390
Groundnut	2 200	2 200	2 180	2 300	900	940	660
Sunflowerseed	1 630	1 520	1 920	1 900	210	320	520
Rapeseed	1 400	1 220	1 540	1 900	270	370	410
Linseed	480	460	590	500	220	300	380
Copra/Palm kernel	460	480	510	500	310	330	310
Others 8/	380	360	400	400	170	160	210
Fish meal	3 050	2 860	3 160	3 200	1 210	1 160	1 250
By economic region :							
Developing countries	12 500	13 370	13 580	14 280	5 340	6 390	6 050
Latin America	5 380	6 430	6 420	...	3 670	4 880	4 830
Africa	770	800	660	...	440	370	230
Near East	730	720	730	...	250	170	190
Far East	2 680	2 440	2 700	...	870	920	730
Asian CPE	2 900	2 930	3 020	...	70	10	20
Other developing	40	50	50	...	40	40	40
Developed countries	19 880	18 180	23 690	24 320	8 140	8 980	11 910
North America	14 880	13 300	18 490	...	7 380	8 240	11 140
Western Europe	1 160	1 210	1 270	...	600	670	690
EEC	550	520	580	...	260	230	240
Other western Europe	610	690	680	...	340	440	450
Eastern Europe and U.S.S.R.	2 970	2 840	3 040	...	50	50	50
U.S.S.R.	2 420	2 260	2 460	...	30	10	20
Eastern Europe	550	580	580	...	20	40	30
Oceania	60	50	90	...	10	-	-
Other developed	810	780	810	...	100	20	30

IMPORTS 9/

	Fats and Oils 1974-76 average	Fats and Oils 1977	Fats and Oils 1978 (prelim.)	Oilcakes & Meals (prot.equiv.) 1974-76 average	Oilcakes & Meals (prot.equiv.) 1977	Oilcakes & Meals (prot.equiv.) 1978 (prelim.)
	(. . . thousand tons . . .)			(. . . thousand tons. . .)		
World total	14 640	16 900	18 280	13 750	15 480	17 580
Developing countries	4 180	6 030	7 160	1 130	1 510	1 940
Latin America	1 050	1 260	1 490	370	530	680
Africa	710	870	950	50	90	90
Near East	1 140	1 120	1 460	110	160	250
Far East	890	2 160	2 630	260	360	490
Asian CPE	370	600	610	340	370	430
Other developing	20	20	20	-	-	-
Developed countries	10 460	10 870	11 120	12 620	13 970	15 630
North America	1 190	1 120	1 020	310	290	270
Western Europe	6 740	6 940	7 160	8 340	9 200	10 760
EEC	5 560	5 830	6 040	6 640	7 330	8 630
Other western Europe	1 180	1 120	1 120	1 700	1 870	2 130
Eastern Europe and U.S.S.R.	800	980	960	2 270	2 510	2 480
U.S.S.R.	280	490	450	290	520	340
Eastern Europe	520	490	500	1 980	1 990	2 140
Oceania	90	120	120	30	20	20
Other developed	1 630	1 710	1 870	1 680	1 960	2 100
of which Japan	1 480	1 550	1 700	1 540	1 790	1 940

Note: For footnotes see Table 9.

The recovery was heavily concentrated in developed countries, particularly in North America, and was mainly on account of soybean, sunflowerseed, cottonseed and rapeseed oils. In total, developed countries' output was some 2 million tons (6 percent) above the long-term trend.

Developing countries, on the contrary, barely maintained their production at about the long-term trend both in 1977 and 1978. Their aggregate output increased by 3 percent in 1978. However, production fell in Africa and in the Near East. Output of groundnut oil was 2 percent less, reflecting reduced crops in West Africa and Argentina, while production of coconut and palm oils increased by 6 and 5 percent respectively, mainly on account of larger output in the Far East.

Demand for fats and oils was also strong in 1978, with demand for direct consumption continuing to trend upwards. In addition, there was the need to replenish the stocks which had been drawn down considerably in 1977. While carry-over stocks increased somewhat - especially in exporting countries - consumption expanded considerably, both in developed and in developing countries. Importers' demand was encouraged by a decline in international market prices in real terms. In current terms, 1978 prices in U.S. dollars were, on average, 12 percent higher than in 1977 as indicated by the FAO price index, but the rate of international inflation was as much as 15 percent. In addition, import costs of those importing countries with stronger currencies than the U.S. dollar were, at least over part of the year, actually lower than in 1977, even in current terms.

With large import demand and ample export supplies, world trade in fats and oils increased in 1978 to a record of over 18 million tons, 7 percent above the 1977 peak. As in 1977, most of the expansion in 1978 trade was due to larger purchases by developing countries, whose imports rose by 19 percent after the 35 percent increase recorded in 1977. They accounted in 1978 for just under 40 percent of the world imports, as against 29 percent in 1974-76. The major increase was in India, which has become the world's largest importer of edible oils since 1977, reflecting relatively poor domestic crops, a growing per caput demand and the relaxation of import policies. Other developing countries with heavier imports in 1978 included Mexico, Iran, Indonesia, Pakistan, Egypt and Nigeria. Developed countries' imports increased in total only slightly in spite of the downturn in 1977. The United States actually imported less, mainly reflecting the deteriorated competitiveness of imported coconut and palm oils relative to domestic fats and oils.

The increase in 1978 exports was from North America, which remained by far the largest exporting region and increased its share of world exports to 45 percent, compared with 37 percent in 1974-76. In aggregate, developed countries accounted for 64 percent of world exports. Developing countries' exports declined in 1978, thus interrupting the upward trend of recent years. Their share of world exports fell to 36 percent compared with around 40 percent recently. The decline was due to reduced shipments from Africa, while other developing regions maintained their exports at the 1977 level or, in the case of Latin America, increased them further.

As in the case of fats and oils, world output of oilcakes and meals also recovered sharply in 1978. At 37 million tons, it was 9 percent higher than the previous record (1976) and over one million tons (3 percent) above the long-term trend. With the major exception of groundnut, more was produced in 1978 of all oilcakes and meals, although as much as three quarters of the total increase was on account of soybean meal production, primarily in the United States.

After the depletion during 1977, stocks were rebuilt in part in 1978. Consumption was particularly large under the stimulus of considerably lower prices. As measured by the FAO price index, international market prices of oilcakes and meals in 1978 were 8 percent lower than in 1977, even in current terms.

Exports increased in 1978 by 17 percent, to a record 18 million tons, reflecting considerably larger shipments from developed countries, primarily the United States. Exports from developing countries actually declined for the first time since 1971 owing to smaller shipments from Africa, the Far East and Latin America. Developed countries - mainly the EEC and Japan - continued to account for nearly 90 percent of world imports.

Export earnings of developed countries increase and of developing countries decline, in 1978

Total earnings from exports of oilseeds, fats and oils, and oilcakes and meals, rose in 1978 by 13 percent in terms of U.S. dollars, reflecting

larger shipments of both oilseeds and oilcakes and higher international prices for oilseeds, oils and fats.

Earnings of developing countries were reduced by 3 percent, with a decline in those of Latin America and Africa more than offsetting the increase in those of the Far East. But even the Far East earned less in 1978 in real terms. Developed countries' export earnings, on the contrary, increased by 20 percent in current dollar terms.

Output and consumption of fats and oils increase further in 1979

For the second year running, world output of fats and oils reached a new record in 1979, totalling over 57 million tons - nearly 3 percent over 1978. In contrast to 1978, the increase was concentrated in developing countries, with even a marginal decline in output of developed countries. Consumption levels are also expected to reach new peaks, though the increase will probably be less marked than in the preceding year. In addition to increasing food demand, higher petroleum prices have, as in 1978, increased the competitiveness of oils in non-food uses. On balance, world output is likely to exceed world demand so that some build-up of stock is likely by the end of the season, especially in exporting countries.

Most oilseeds and oils, with the major exceptions of sunflowerseed, cottonseed and copra, are estimated to have shown increases in output, with soybean and rapeseed oils leading the gains. World soybean oil production rose to a new record of 12.2 million tons, although the increase (5 percent) was much less marked than in the preceding year. In the United States, the soybean crop of late 1978 rose by 6 percent to 50.9 million tons; favourable prices at the time of planting resulted in a larger area, which more than offset some reduction in yields. Production in Argentina rose by as much as 48 percent, to reach 3.7 million tons, reflecting favourable weather and another sharp expansion in area due to soybeans being favourably priced relative to grains. On the contrary, in Brazil, yields were adversely affected by drought for the second consecutive year, and the crop recovered only partly to 10 million tons, 4 percent more than in 1978, but nearly 20 percent less than the 1977 record. Following this new setback, the Brazilian Government has taken a number of measures - including controls on export registrations and the waiving of the tax and deposit on soybean oil imports - mainly with a view to guaranteeing adequate supplies of soybeans and products to domestic processors and consumers.

World output of rapeseed oil is estimated to be over 20 percent larger than in 1978, reaching a new record of 3.6 million tons. With lower output in western Europe and Poland, the increased production came from larger plantings in Canada, reflecting unpromising prospects for returns from alternative crops, but also an increasing consumer acceptance of new rapeseed varieties with greatly reduced content of erucic acid in the oil and of glucosinolates in the meal.

Groundnut oil production recovered slightly from the reduced level of the preceding season, with increases in West Africa (mainly Senegal), Argentina and India, but a reduced crop in Sudan. World olive oil production was also slightly larger with gains in Spain and Turkey but reduced output in Tunisia and, particularly, Italy. A marginal decline in world sunflowerseed output resulted mainly from a reduced crop in the U.S.S.R. primarily due to unfavourable weather, and in Argentina, as a result of a shift to more profitable crops. Partially offsetting this, was another record harvest in the United States, which has become the second largest producer in the world. World cottonseed oil output also decreased, mainly reflecting a 25 percent reduction in the United States crop.

The rate of growth in world palm oil production accelerated again after a slowdown in 1978 which had been occasioned by drought in the Far East. Output in Malaysia is estimated at a record of about 2 million tons, owing both to better yields and to a continuing increase in the number of bearing trees.

In the lauric oils group, world production of palm kernel oil increased in 1979, whereas that of coconut oil declined, mainly due to inadequate rainfall in the Philippines, where the resulting fall in yields outweighed a further increase in the number of bearing trees.

Fats and oils trade at record level in 1979

Partial data for 1979 suggest that the volume in world trade of fats and oils may reach a new record, probably exceeding 19 million tons. With international prices averaging higher, world export earnings (in terms of U.S. dollars) should increase.

Gross imports in the early months of the year increased in most western European countries and Japan, while purchases by the United States (mainly of palm and coconut oils) were lower. U.S.S.R. imports of soybeans, mainly from the United States but also from Brazil, increased sharply. Among developing countries, Indian purchases of vegetable oils have remained heavy and those by Pakistan, Egypt, Mexico and a number of minor importers were larger than a year earlier.

Exports of soybean oil increased moderately in the first 9 to 10 months of the year from all three major exporters - the United States, Brazil and Argentina. However, Latin American export supplies were largely exhausted by the end of the third quarter - with Brazil becoming an importer of relatively small quantities of soybeans and oil and of rapeseed to supplement its remaining domestic supplies for consumption. As a result, until March-April 1980, when the new Latin American crops start becoming available, the market will become primarily dependent on United States' soybeans and oil supplies. Shipments of rapeseed oil from Canada - by far the world's largest exporter - increased very sharply. Exports of groundnut oil from the United States and Argentina fell in the early months of the year, whereas those from Senegal and Gambia are reported to have been larger. Reduced shipments of sunflowerseed oil from Argentina were only partly offset by increased sales from the United States.

Exports of Malaysian palm oil were substantially greater in the first half of 1979, with all the expansion in the form of processed oil, whereas crude palm oil shipments actually declined. In contrast, Philippine exports of coconut oil (the major of the lauric oils) in the first three quarters were nearly 30 percent lower than in the corresponding period of 1978, with reduced shipments of oil to the United States, but also of copra to Europe; this decline was only partly made up by heavier world exports of palm kernel oil.

Among animal fats, shipments of tallow and greases from the United States rose only moderately. But subsidized exports of butter from the EEC to eastern European countries, the U.S.S.R. and developing countries substantially increased.

Further price increases in 1979

In 1979, international prices of fats and oils, as measured by the FAO price index, continued to rise. For the first ten months, the index averaged 17 percent higher than in the corresponding period of 1978. However, much of this increase reflected a particularly large rise in the value of lauric oils, which were in short supply. In fact, the sub-index for edible soft oils - the most important group of fats and oils - rose by less than 2 percent, reflecting a nearly balanced supply/demand position. Prices of fats and oils - just as those of a number of other agricultural commodities - were also generally influenced in 1979 by the continuing inflation.

New record supplies and continued expansion in consumption of oilcakes in 1979

Estimated at a new record of some 38.6 million tons, world output of oilmeal proteins in 1979 was over 1.3 million tons (or 4 percent) larger than in the previous year. In contrast to fats and oils, both developed and developing countries contributed almost equally to the increase in output.

Overall, the increase in production has been mainly on account of soybean meal, which expanded by 5 percent to over 24 million tons. In the United States, production rose by 5 percent to 17 million tons.

World rapeseed meal output was also much heavier, mainly due to a larger crop in Canada. There was some expansion in world production of groundnut cake, but little change in the output of all the other vegetable oilmeals. Output of fish meal was heavier in January-July as compared with a year earlier, mainly in Latin America.

World consumption of oilcakes (though expanding less than in 1978) is also expected to reach record levels, reflecting profitable livestock/feed price ratios. In the first ten months of 1979, prices of soybean meal - by far the major of the oilmeal proteins - averaged 15 percent higher than in the corresponding period of the preceding year.

Trade in oilcakes and meals also at new peak level in 1979

Current indications point to a new record volume of world exports of oilcakes and meals in

TABLE 8 - FATS AND OILS, OILCAKES AND MEALS: VALUE OF EXPORTS

	OILSEEDS			FATS AND OILS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(.. million U.S. dollars..)			(..million U.S. dollars ..)		
World total	5 760	7 320	8 300	7 840	9 760	11 240
Developing countries	1 630	1 840	1 630	2 010	3 090	3 350
Latin America	780	1 020	920	510	900	900
Africa	250	210	140	460	390	310
Near East	170	170	200	30	50	40
Far East	280	340	260	940	1 690	2 020
Asian CPE	90	40	50	30	20	30
Other developing	60	60	60	40	40	50
Developed countries	4 130	5 490	6 670	5 830	6 680	7 890
North America	3 790	5 170	6 320	1 260	1 570	1 740
Western Europe	220	180	230	3 490	4 020	4 990
EEC	180	160	220	3 020	3 470	4 290
Other western Europe	40	20	10	470	550	700
Eastern Europe and U.S.S.R.	70	100	70	630	530	490
U.S.S.R.	20	10	10	350	220	190
Eastern Europe	50	80	60	280	310	300
Oceania	20	10	10	350	420	460
Other developed	30	30	40	110	140	210

	OILCAKES AND MEALS			TOTAL OILSEEDS, FATS AND OILS, OILCAKES AND MEALS		
	(..million U.S. dollars..)			(..million U.S. dollars..)		
World total	3 130	4 560	4 840	16 720	21 650	24 380
Developing countries	1 350	2 380	2 130	4 990	7 300	7 110
Latin America	900	1 740	1 630	2 180	3 660	3 450
Africa	110	120	80	810	720	530
Near East	50	40	40	250	260	270
Far East	280	450	370	1 500	2 480	2 650
Asian CPE	-	-	-	130	60	80
Other developing	10	20	20	110	120	130
Developed countries	1 780	2 180	2 710	11 730	14 340	17 270
North America	890	1 020	1 370	5 950	7 760	9 430
Western Europe	780	1 060	1 220	4 480	5 260	6 440
EEC	600	750	890	3 790	4 390	5 400
Other western Europe	180	310	330	690	880	1 040
Eastern Europe and U.S.S.R.	10	10	10	700	640	570
U.S.S.R.	10	-	-	370	240	200
Eastern Europe	-	10	10	330	400	370
Oceania	-	-	-	360	420	460
Other developed	100	90	110	240	260	370

TABLE 9 - FATS AND OILS, OILCAKES AND MEALS: STOCKS AND PRICES

OPENING STOCKS 10/

	1977 or 1976/77	1978 or 1977/78	1979 or 1978/79	1980 or 1979/80
	(. . . thousand tons . . .)			
FATS AND OILS				
United States (soybean oil) 11/	1 767	853	1 120	1 233
Canada (rapeseed oil) 11/	396	76	138	426
Malaysia (palm oil)	125	171	310	...
Brazil (soybean oil)	106	155	159	...
U.S.S.R. (sunflowerseed oil)	210	70	70	...
OILMEALS (protein equivalent)				
United States (soybean meal) 11/	2 514	1 089	1 657	1 790
Canada (rapeseed meal) 11/	206	39	72	222
Peru (fish meal)	112	59	112	...
Brazil (soybean meal)	190	220	115	...

FAO PRICE INDEX (1964-66 = 100)

	1976	1977	1978	1978 January/Oct.	1979 January/Oct.
All fats and oils 12/	189	233	260	256	300
Edible/soap fats and oils 12/	183	228	259	255	298
Soft oils 13/	197	241	274	271	275
Lauric acid oils 14/	156	219	263	251	375
Other edible/soap fats and oils 15/	181	220	240	239	277
Technical oils 16/	261	301	270	272	325
Total oilcakes and meals	201	233	215	213	232
Total vegetable oilcakes 17/	193	221	205	202	231
Fish meal	219	264	238	240	225

FOOTNOTES TO TABLES - NOTE: Totals computed from unrounded data

1/ Including the oil equivalent of oilseeds; excluding main re-exports and exports of oils from imported oilseeds.
2/ Safflower and sesameseed oils; production figures also include maize oil.
3/ Including babassu oil.
4/ Sheanut butter; trade figures also include hydrogenated oils.
5/ Poppyseed and hempseed oils; trade figures also include boiled oils and fatty acid oils.
6/ Mainly seed oils not elsewhere specified.
7/ Including the cake equivalent of oilseeds; excluding main re-exports and exports of cake from imported oilseeds.
8/ Safflower and sesameseed cakes and meals; trade figures also include unspecified oilcakes and meals.
9/ Including the oil or cake equivalent of oilseeds; excluding quantities subsequently re-exported.
10/ United States refers to marketing year beginning September 1 for soybeans and October 1 for soybean oil and soybean meal.
Canada refers to marketing year beginning August 1.
Malaysia refers to marketing year beginning January 1.
Brazil refers to marketing year beginning March 1.
U.S.S.R. refers to marketing year beginning October 1.
Peru refers to marketing year beginning January 1.
11/ Mainly in the form of oilseeds.
12/ Excluding butter.
13/ Includes series for groundnut, soybean, cottonseed, sunflowerseed and rapeseed oils.
14/ Includes series for coconut and palm kernel oils.
15/ Includes series for tallow, palm and fish oils.
16/ Includes series for linseed, castor and tung oils.
17/ Includes series for copra, cottonseed, groundnut, linseed and palm kernel cakes as well as for soybeans and sunflowerseed meals.

1979 probably exceeding 19 million tons - which would reflect a faster rate of growth than that expected for fats and oils. The major increase is again expected in soybean meal shipments from the United States, Brazil and Argentina. Canadian exports of rapeseed cake will also be much larger. A heavier trade in groundnut cake will largely reflect increased shipments from India - though its volume is unlikely to reach the full quota fixed by the Government for the calendar year. World trade in sunflowerseed cake, in contrast, has probably declined. A noteworthy feature in 1979 was the sharp recovery in fish meal trade, with larger sales mainly from Peru, Chile and Norway.

Output in 1980 of fats and oils and oilmeal protein forecast to rise sharply

A preliminary forecast of production for 1980, based on information available by early November and assuming "normal" weather conditions indicates the possibility of an exceptionally large increase in production of fats and oils and particularly of oilmeals to record levels; however, at this stage, prospects for the coming season are obviously still subject to a wide margin of error.

By far the largest expansion in oils and protein meal output and export availabilities is forecast to come from larger soybean production. Production in the United States will increase considerably following record plantings and yields per hectare. The Brazilian crop is forecast to recover sharply and a further expansion in plantings is expected in Argentina. While no sizeable recovery is anticipated in the U.S.S.R. sunflowerseed crop, world output and export availabilities are expected to increase substantially, mainly due to a near doubling of the United States' crop. World cottonseed production is also likely to rise following mainly a marked recovery in the United States. For the main tropical tree crops, the outlook is for a recovery in copra production in the Philippines following better rainfall in 1979. The long-term growth in palm oil and palm kernel output is expected to continue with the increase mainly due to the new areas planted in South East Asia over recent years.

It is thus likely that 1980 will be the third consecutive year when new records will be achieved for production of both oils and meals. In 1978 and 1979, the quantities produced have largely been absorbed into consumption, as demand increases in these years have been particularly strong. For fats and oils more particularly, there was a strongly increasing food demand in developing countries; and for meal, demand has been increased by profitable livestock/feed price ratios. It is difficult at this stage to assess whether these factors will continue through 1980. However, the increase in output currently forecast for 1980, is unlikely to be fully absorbed by anticipated consumption, so that, at the end of the season, stocks, largely in the form of soybeans, are likely to increase. This supply/demand outlook suggests that, in real terms, prices may well be lower in 1980 than in 1979.

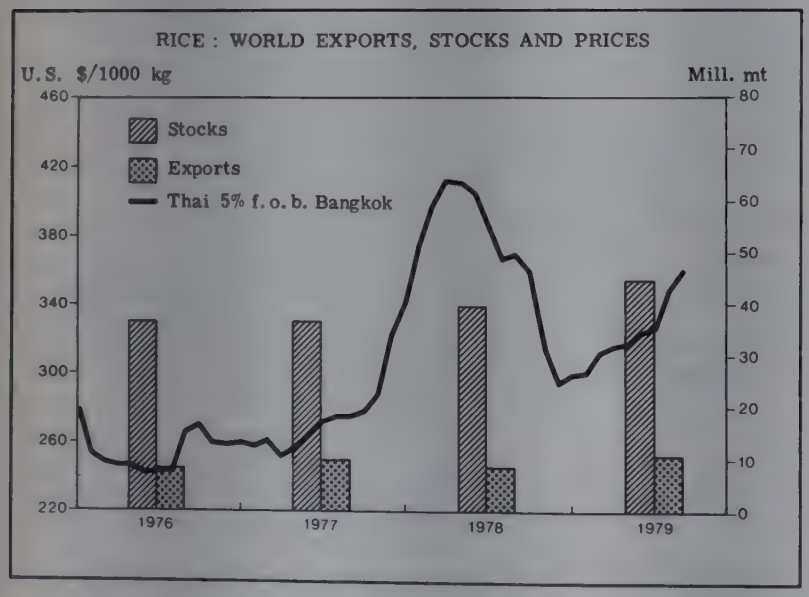
CEREALS, CASSAVA AND LIVESTOCK PRODUCTS

RICE

Highlights

The main features of world rice markets in 1979 were the strong growth in import demand and the reversal of the downward trend in prices as a consequence of the poor crops in some key consuming countries at the end of 1978 and in early 1979. As a result, the volume of trade in 1979 was a record and, with prices continuing to rise, the value of world rice trade is likely to increase further. Global paddy output in 1979 has declined as the fall in production in importing countries has more than offset the small rise in exporting countries. Total import requirements and export availabilities in 1980 are therefore likely to be large, although less than in 1979, and prices could continue to rise somewhat in the shortrun. World rice stocks are expected to decline in 1980 for the first time in six years.

Figure 9



Large rise in world rice trade in 1979

A very large rise in world rice trade and a substantial recovery in international prices were the most noteworthy features of world rice markets in 1979. These developments occurred as a result of the surge in import demand which followed poor crops in some important rice consuming countries at the end of 1978 and in early 1979. Elsewhere, crops were generally good; in fact, world paddy production in 1978 rose by 14 million tons to a record 384 million tons.

Aggregate production in importing countries rose only marginally in 1978 and crops were poor in some major rice consuming countries, particularly Bangladesh, Brazil and the Republic of Korea. This resulted in a very large increase in the imports of these three countries from 100 000 tons in 1978 to 1.6 million tons in 1979. In Indonesia, despite record 1978 production, imports rose in 1979 due to a lower main crop early in the year, but higher output has enabled Malaysia to reduce substantially its rice imports, and kept Sri Lanka's import requirements low for the second successive year. Outside the Far East, rice imports increased in Latin America, western Europe and in the Near East where the oil exporting countries further increased their rice imports to 1.3 million tons from 1.2 million tons in 1978. In contrast, Africa's rice imports were expected to decline by 10 percent in 1979, mainly on account of lower purchases by Nigeria, which banned imports from September 1979.

As the strong increase in global import demand was matched by relatively ample supplies in exporting countries, world trade in 1979 was expected to rise to 10.9 million tons, 2 million tons more than in 1978. Exports from developing countries would increase by 25 percent to 7.3 million tons. Higher output was expected to lead to a 1 million ton increase in Thailand's exports and to a recovery in those from Pakistan and Burma. Shipments from India and the Philippines also rose strongly, to reach 550 000 tons in 1979 following bumper crops and record stocks in these countries. Despite a very large increase in production, China's exports were likely to decline somewhat in 1979. Exports from developed countries also rose by about 25 percent to reach 3.6 million tons. Following large gains in output, shipments from the United States - the second largest exporter - increased to 2.4 million tons from 2.26 million tons in 1978. Exports from Italy and Australia rose further in 1979 reflecting higher output. In accordance with its surplus rice disposal programme, which envisages the disposal of 4.8 million tons of surplus rice in five years, Japan has contracted to sell about 600 000 tons in 1979.

In spite of the relatively large supplies with exporters, the strong increase in global import demand in 1979 led to a moderate rise in prices during the year. By September. the FAO Index of Export Prices of Rice (1957-59 = 100) was 258 compared with its recent low point of 239 in December 1978 and an average of 274 during 1978. The value of world rice trade in 1979 was

TABLE 10 - RICE: PRODUCTION, UTILIZATION AND TRADE

PRODUCTION (paddy) 1/

	1974-76 average	1977	1978	1979 (forecast)
	(. . . . million tons . . . .)			
World total	347.4	370.3	383.5	375.0
Developing countries	321.7	344.5	357.6	348.3
Latin America	13.8	15.0	13.5	14.2
Africa	5.5	5.7	5.6	5.7
Near East	4.5	4.5	4.6	4.5
Far East	153.2	171.9	179.9	166.5
Asian CPE	144.7	147.3	152.9	157.4
Developed countries	25.7	25.8	26.9	26.7

RETAINED IMPORTS (milled) 2/

	1974-76 average	1977	1978 (prelim)	1979 (estim)
	(. . . . million tons . . . . .)			
World total	7.9	9.7	9.1	10.9
Developing countries	6.6	8.0	7.6	9.3
Latin America	0.6	0.6	0.6	1.1
Africa	0.9	1.6	2.0	1.8
Near East	1.1	1.5	1.5	1.8
Far East	3.1	4.0	3.3	4.2
Asian CPE	0.9	0.3	0.2	0.4
Developed countries	1.3	1.7	1.5	1.6

EXPORTS (milled) 2/ 3/

	1974-76 average	1977	1978 (prelim)	1979 (estim)
	(. . . . million tons . . . .)			
World total	7.9	10.2	8.8	10.9
Developing countries	5.3	7.3	5.9	7.3
Latin America	0.4	1.0	0.7	0.7
Africa	-	-	-	-
Near East	0.2	0.2	0.2	0.2
Far East	2.5	4.7	3.0	4.9
Asian CPE	2.2	1.4	2.0	1.6
Developed countries	2.6	2.9	2.9	3.6

VALUE OF EXPORTS

	1974-76 average	1977	1978
	(. . . million U.S. dollars . . .)		
World total	2 765.0	2 856.0	3 273.6
Developing countries	1 779.6	1 875.8	2 055.6
Latin America	135.5	242.0	220.5
Africa	11.6	12.7	5.4
Near East	11.3	5.5	7.2
Far East	848.3	1 081.0	963.0
Asian CPE	719.4	477.4	780.0
Developed countries	985.4	980.2	1 218.0

CLOSING STOCKS (milled)

	1976	1977	1978	1979
	(. . . . million tons . . . . .)			
World total	37	37	40	45
Developing countries	32	32	33	37
Developed countries	5	5	7	8

FAO EXPORT PRICE INDEX (1957-59 = 100)

	1976	1977	1978	1979 (Sept.)
Total index	193	211	274	258
Private trade	180	203	271	268
Bilateral contracts	209	220	277	244
Long/medium grain	185	204	270	252
Round grain	231	244	293	306
	(U.S. dollars per ton)			
Unit value of world exports	280	280	372	

Note: Totals computed from unrounded data.

1/ Production data refer to the calendar year in which the entire harvest or bulk of the harvest takes place.
2/ Excluding EEC intra-trade.
3/ Excluding re-exports.
4/ Preliminary FAO estimates subject to revision. Individual countries' stocks, from which the world total was derived, relate to each country's crop year. Because of differences in these crop years, the world total is a theoretical estimate of world "carryover" stocks available for the next "season".

likely to exceed the 1978 total of U.S.$ 3 300 million, and exports from developing countries would probably top the 1978 total of U.S.$ 2 000 million. Shipments on concessional terms, mostly from the United States and Japan, were expected to be greater than the 0.9 million tons shipped in 1978.

World carryover stocks of rice in 1979 rose by about 5 million tons. Stock increases were particularly large in India, Japan and the Philippines. Stocks in China were also estimated to have risen substantially following the large rise in output in 1978. During 1979, the Association of South East Asian Nations agreed to set up a food security reserve under which members would hold a total of 50 000 tons of rice to be used in emergencies, with replenishment to be undertaken by the country which releases the rice. The prices and other conditions of the rice so released are to be negotiated between the countries concerned.

Sharp decline in world production in 1979

World paddy production in 1979 (most of which is harvested in the last quarter of the year) is expected to decline by 2 percent to 375 million tons, following a poor monsoon in several Far Eastern countries, particularly India, which more than offset higher production elsewhere.

Production in importing countries is expected to be 158 million tons in 1979, 12 million tons below the previous year. In India, owing to the late start of the monsoon and subsequent insufficient rainfall in many areas, rice production is expected to fall heavily. Record stocks of rice and other cereals are likely to be drawn upon to meet the production shortfall and import requirements are expected to be marginal or none. However, in October 1979 the Government banned new contracts for the export of all except small amounts of high quality rice A poor monsoon also reduced 1979 production in Sri Lanka which is expected to result in higher imports in 1980. Lower production in Indonesia following a prolonged dry spell, is likely to lead to continuing substantial imports in 1980. Inadequate rice production in Kampuchea and Viet Nam will again leave these countries with a large large gain deficit, part of which may be met with rice imports. On the other hand, 1979/80 production should recover in Bangladesh and the Republic of Korea, so that imports by these countries are likely to decline.

Outside the Far East, production is expected to rise somewhat in Africa owing mainly to a recovery in Madagascar's output from the drought-reduced level in 1978. In West Africa generally, good rainfall should favour rice cultivation, but production is expected to decline in Guinea due to a pest outbreak, and in Sierra Leone, following prolonged drought. In Latin America, where output fluctuates considerably from year to year, 1979 production is expected to increase 5 percent on account of a partial recovery in output in Brazil and Peru, as well as larger crops, particularly in Chile, Colombia, Mexico and Uruguay. While Latin American import demand is therefore likely to decline in 1980, the final outcome will depend to a significant extent on the size of Brazil's 1980 crop which for the past two years has been well below domestic requirements. In contrast, output in the Near East may decline marginally, which should lead to increased import requirements in 1980.

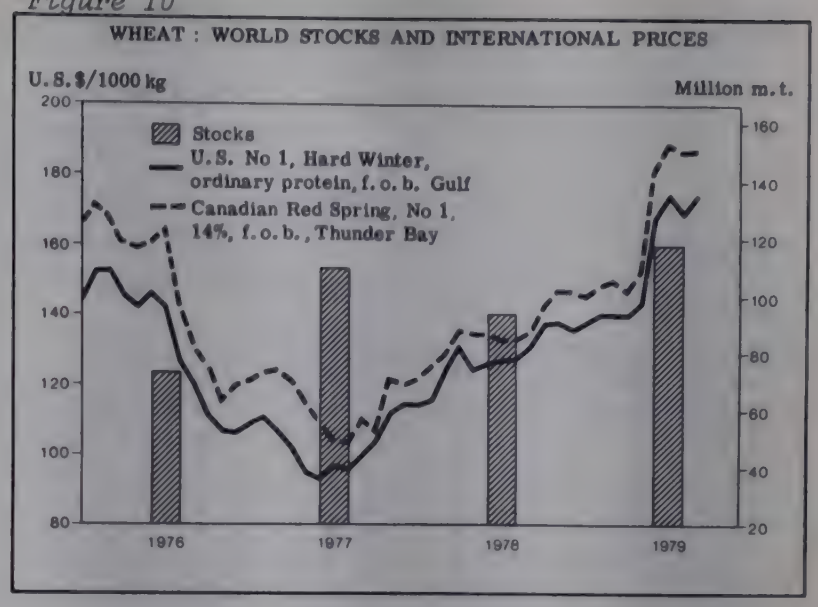
Production in exporting countries may rise slightly to reach 216 million tons, with record output in Australia, China, Republic of Korea, Thailand and the United States, as a consequence of favourable growing conditions. Output is unlikely to change significantly in Egypt and Italy, and is expected to fall slightly in Burma and Pakistan, following a rather weak monsoon in these Countries. Although production is again forecast to fall in Japan, in line with the Government's rice land diversion programme, it is still above domestic requirements, thereby adding to the rice surplus in that country. However, if the surplus disposal programme, which in 1979/80 (fiscal year) envisages the disposal of 950 000 tons of surplus husked rice in domestic and world markets, continues at the current rate of disposal, carryover stocks in Japan could fall somewhat in 1980. While 1979 production in the United States is a record, both domestic consumption and exports are expected to increase so that only a small increase in stocks is expected by the end of 1979/80.

Short Run Outlook Indicates Decline in Stocks and Higher Prices

Following the decline in world paddy production in 1979 the world supply/demand situation is likely to remain relatively firm in the first half of 1980. The relatively large supplies in exporting countries should be sufficient to meet the anticipated volume of import demand which, although less than in 1979,

would remain substantial. World rice stocks are likely to fall by the end of the 1979/80 season due mainly to an anticipated draw-down in stocks in India while stocks with exporting countries could rise further following higher output. Prices, which have been rising since January 1979, are likely to continue to increase somewhat, although at a slower pace in the first half of 1980. Thereafter the outlook for trade and prices will be increasingly influenced by the prospects for 1980 production which will need to recover substantially, particularly in developing importing countries, in order to ensure adequate food security in the following year.

Figure 10



WHEAT

Highlights

The world wheat situation in 1978/79 was marked by an increase in production by 15 percent to a new peak of 450 million tons, a continuation of world trade at a level of over 70 million tons, a substantial increase in wheat carryover stocks to a record of 118 million tons and rising prices in international markets.

The outlook for 1979/80 indicates further expansion of world trade but a decline in global carryover stocks. Production of wheat is expected to fall in 1979 by 7 percent to 420 million tons. Wheat prices in international markets will remain at high levels, possibly exceeding last year's average by a sizeable margin. Export availabilities of wheat are large but the volume of shipments in 1979/80 may be hampered by limited handling and transport capacities in several major exporting countries.

World Stocks reach record levels in 1979 following larger production in 1978

World trade in wheat and wheat flour during the 1978/79 season (July-June) reached 72 million tons, about the same level as the year before. Imports in developing countries rose by almost 3 million tons to 50 million tons, but those of developed countries fell by 2 million tons as a result of larger crops in the U.S.S.R. and the EEC. The largest rise occurred in Latin America and the Far East, reflecting increased requirements in Brazil, Mexico and Pakistan. India remained a net exporter of wheat during the 1978/79 season.

Wheat production is estimated to have increased by 15 percent to a record of 450 million tons in 1978. The expansion was almost entirely due to higher yields following generally favourable weather conditions in most important producing countries. Larger crops were harvested in all regions except in North America where the United States output declined due to a reduction in the area under a set-aside programme. The most marked expansion took place in the U.S.S.R. where with favourable weather production increased by 31 percent to a record 121 million tons. Production in China also recovered from the set-back in 1977. Output in developing countries increased by 11 percent reflecting larger crops in Argentina and India.

World consumption of wheat rose during 1978/79. In developing countries increased production and imports were likely to have resulted in higher direct per caput consumption, whereas in developed countries, particularly the U.S.S.R., the EEC and eastern Europe, there was a considerable expansion in wheat utilization for animal feed as a result of larger domestic supplies.

Stocks rose by 24 million tons to a new record of 118 million tons at the close of the 1978/79 season. The bulk of the increase took place in the U.S.S.R. where, following the bumper crop, stocks rose by an estimated 17 million tons. However, wheat inventories remained concentrated in a few countries with one half of recorded world stocks held by the major exporters in developed regions. Inventories in developing countries, which amount to only one quarter of the total, rose slightly because of an estimated increase in China's stocks.

TABLE 11 - WHEAT AND COARSE GRAINS: PRODUCTION, STOCKS AND PRICES

	WHEAT				COARSE GRAINS			
	1974-76 average	1977	1978 (prelim)	1979 (forecast)	1974-76 average	1977	1978 (prelim)	1979 (forecast)
PRODUCTION	(. . . . . million tons . . . . .)				(. . . . . million tons . . . . .)			
World total	382.9	390.7	449.5	419.7	673.6	714.8	759.3	735.2
Developing countries	128.9	129.2	143.0	153.2	227.6	231.8	240.8	237.1
Latin America	15.9	11.5	14.8	15.9	51.9	59.0	57.0	57.8
Argentina	8.5	5.3	8.1	8.0	14.8	16.5	18.9	16.7
Brazil	2.6	2.1	2.7	4.0	17.2	19.8	14.0	16.9
Africa	5.0	3.8	5.2	5.0	35.4	33.7	37.0	34.3
Near East	28.0	29.3	30.6	30.0	18.4	18.0	18.8	18.6
Far East	33.6	39.0	40.7	45.6	41.5	41.7	44.3	39.8
India	24.9	29.0	31.3	34.7	28.5	29.8	30.3	26.0
Asian CPE	46.4	45.6	51.7	56.7	80.4	79.4	83.7	86.6
China	45.7	45.0	51.0	56.0	77.3	76.0	80.0	83.0
Developed countries	254.0	261.5	306.5	266.5	446.0	483.0	518.5	498.1
North America	72.9	75.3	70.1	74.8	196.4	226.2	238.3	243.0
Canada	18.0	19.9	21.1	17.3	19.5	22.4	20.3	18.3
United States	54.9	55.4	49.0	57.5	176.9	203.8	218.0	224.7
Western Europe	57.7	53.4	64.2	59.0	90.0	98.4	102.6	101.0
EEC	41.0	38.5	47.9	45.0	58.0	65.0	68.7	67.6
Eastern Europe	26.9	28.6	30.5	26.5	49.1	48.9	52.4	48.9
U.S.S.R.	82.3	92.2	120.8	87.0	94.7	93.9	106.6	90.0
Oceania	11.9	9.7	18.7	16.4	5.6	5.1	7.4	6.2
Australia	11.7	9.4	18.4	16.0	5.1	4.5	6.8	5.6
Other developed	2.3	2.3	2.2	2.8	10.2	10.5	11.2	9.0

	1974/75-1976/77 average	1977/78	1978/79 (prelim)	1979/80 (forecast)	1974/75-1976/77 average	1977/78	1978/79 (prelim)	1979/80 (forecast)
CLOSING STOCKS 1/	(. . . . . million tons . . . . .)				(. . . . . million tons . . . . .)			
World total	85.2	94.0	118.1	109.0	76.8	96.3	106.6	99.2
Main exporters	42.1	52.4	58.0	59.0	28.6	50.9	57.0	51.9
Canada	9.8	12.1	15.0	12.8	5.0	7.5	7.1	4.4
United States	20.1	32.0	25.1	25.2	20.9	41.3	46.0	44.6
Argentina	1.0	0.3	0.3	0.3	0.7	0.3	0.4	0.4
Australia	2.2	0.8	6.8	8.9	0.3	0.2	1.4	1.4
EEC	9.0	7.2	10.8	11.8	2/	2/	2/	2/
South Africa	2/	2/	2/	2/	1.7	1.6	2.1	1.1
Main importers	36.4	34.6	53.2	43.6	20.5	17.0	20.9	19.2
India	5.6	8.6	6.2	4.2	2/	2/	2/	2/
Japan	0.9	0.8	0.9	1.1	1.2	1.7	1.8	1.7
U.S.S.R.	14.3	7.0	24.0	13.0	7.0	3.0	6.0	5.0
Others	6.7	7.0	6.9	6.4	27.7	28.4	28.7	28.1

1974/75-1976/77 average	1977/78	1978/79
(. . . U.S. dollars per ton . . .)		
152.38	124.79	155.75
139.66	107.69	106.15
132.10	108.92	120.32
122.87	100.30	114.07

PRICES, c.i.f. North Sea Ports

Wheat, U.S. Hard Red Winter No.2
Barley, Canadian Feed No.2
Maize, U.S. Yellow No.2
Sorghum, U.S. Milo No.2

1/ At the end of national crop years.
2/ Included with others.

Wheat prices were on an upward trend during much of the 1978/79 season, supported by strong import demand, the United States farmer-owned reserve programme, which isolated a sizeable part of the stocks, as well as by speculative investments in commodity markets. The rising price trend was reinforced in May/June 1979 when the wheat crop outlook deteriorated in several major wheat producing regions, including Europe and the U.S.S.R. The export price for U.S.No.2 hard winter wheat averaged U.S.$166 per ton in June 1979, almost 30 percent above the U.S.$130 obtained at the beginning of the season.

Production in 1979 below trend level

World production of wheat in 1979 is forecast to decline to 420 million tons, 7 percent less than the excellent harvest in 1978, and slightly below the trend value of 427 million tons. Most of the fall will be in developed countries due to poor weather in several important producing areas; a 13 percent decline in their combined output, from 307 million tons in 1978 to 267 million tons is expected. The heaviest decline occurred in the U.S.S.R. where production could fall by 35 million tons, or by almost 30 percent, to the lowest level since 1975. Output will also be lower in western and eastern Europe. Among the developed countries, production increased only in the United States where, despite a 20 percent set-aside programme, wheat sowings were substantially larger, reflecting higher prices and favourable sowing conditions. Production in developing countries is expected to have continued its upward trend and their aggregate output is likely to reach 153 million tons which would represent an increase of 7 percent over 1978 and over 50 percent since 1970.

Record trade and declining stocks foreseen to result in higher prices in 1979/80

Lower domestic supplies in several major importing countries should result in a substantial expansion in international trade in 1979/80. Forecasts point to a rise to 76 million tons, 4 million tons more than in the previous year, mostly on account of larger purchases by the U.S.S.R. Western and eastern Europe, the Near East and Africa are also expected to import more. Imports of developing countries are to remain at the high level of the previous year. Reduced imports into Pakistan, Brazil and China are expected to be offset by larger imports, particularly by Egypt, Iran, Mexico and Bangladesh. Despite the unfavourable outlook for the winter wheat crop following the poor monsoon, India is not likely to import wheat in 1979/80, as the anticipated decline in production would be largely made up from stocks. Most of the additional world import requirements will be met by the United States and Australia. Shipments from the U.S.S.R., Turkey, Greece, Austria and Sweden are forecast lower, mainly due to reduced output.

World carryover stocks of wheat at the end of countries' 1979/80 crop year are expected to fall to 109 million tons, 9 million tons below the previous year's record. All of the decline would be in developed countries with the U.S.S.R. accounting for most of it. The combined total of end-of-season stocks in developing countries is anticipated to show little change as the expected decline in India and some other countries will probably be offset by higher inventories in China. The total of carryover stocks of wheat of the major exporting countries at the end of their 1979/80 seasons is expected to remain unchanged from the previous year, as the expected declines of inventories in Canada and the United States are likely to be offset by larger stocks in the EEC and Australia. With the anticipated drawdown of wheat stocks in major importing countries, primarily the U.S.S.R., inventories would be even more concentrated in exporting countries than at the opening of the 1979/80 season. Over one half of the world wheat stocks would then be held by the five major exporting countries.

The steep rise of wheat prices in international markets towards the end of last season reached its peak in the first week of the 1979/80 marketing year when the price of U.S. wheat No.2 hard winter, ordinary protein, f.o.b. Gulf reached U.S $183 per ton. During the following period, prices declined somewhat but exceeded U.S.$180 per ton again during September and October 1979. The firmness of wheat prices mainly reflects the shortfall in wheat production in major importing countries, particularly the U.S.S.R., and the deterioration in rice crop prospects in a number of Asian producing countries. International wheat prices are expected to remain relatively high during the remainder of 1979/80, largely reflecting the delicate balance between supply and demand, as handling and transport difficulties could limit the growth of world trade in wheat. An additional factor which gives strength to wheat prices is the increase of the United States loan rate from U.S.$2.35 per bushel ($86.35 /ton) to U.S.$2.50 ($91.86/ton) for the 1980 crop, which will result in a corresponding rise in the release points for wheat held under the farmer-owned reserve programme.

TABLE 12 - WHEAT AND COARSE GRAINS: WORLD TRADE

	WHEAT				COARSE GRAINS			
	1974/75-1976/77 average	1977/78	1978/79 (prelim)	1979/80 (forecast)	1974/75-1976/77 average	1977/78	1978/79 (prelim)	1979/80 (forecast)
	(. . . . . million tons . . . . .)				(. . . . . million tons . . . . .)			
EXPORTS 1/								
World total	64.0	71.9	72.4	76.5	71.0	81.5	87.2	97.0
Developing countries	4.0	5.0	6.8	5.6	12.4	14.5	13.9	12.6
Latin America	3.7	2.7	3.2	3.5	9.4	12.3	11.4	10.0
Argentina	3.7	2.7	3.2	3.5	7.9	11.0	11.2	10.0
Brazil	-	-	-	-	1.4	1.1	-	-
Africa	-	-	-	-	0.3	0.2	0.2	0.1
Near East	0.2	1.3	2.0	1.3	0.2	0.2	0.2	0.3
Far East	0.1	1.0	1.6	0.8	2.5	1.6	2.1	2.2
Thailand	-	-	-	-	2.4	1.3	2.0	2.1
Asian CPE	-	-	-	-	-	0.2	-	-
Developed countries	60.0	66.9	65.6	70.9	58.6	67.0	73.3	84.4
North America	40.6	47.0	45.7	50.5	47.9	56.0	60.6	73.0
Canada	12.1	15.9	13.5	14.5	4.1	3.9	3.8	4.5
United States	28.5	31.1	32.2	36.0	43.8	52.1	56.8	68.5
Western Europe	7.7	5.8	9.8	8.8	2.6	4.2	5.7	4.8
EEC 2/	6.5	4.4	8.0	7.5	1.5	3.5	4.4	4.0
Eastern Europe	1.5	1.3	1.0	0.5	1.3	1.1	0.8	0.6
U.S.S.R.	2.0	1.4	2.0	0.5	0.9	0.8	0.5	0.3
Oceania	8.1	11.1	6.9	10.5	3.2	2.1	2.6	3.6
Australia	8.1	11.1	6.9	10.5	3.1	2.0	2.5	3.5
Other developed	0.1	0.3	0.2	0.1	2.7	2.8	3.1	2.1
South Africa	0.1	0.2	0.2	0.1	2.7	2.8	3.1	2.0
IMPORTS 1/								
World total	62.9	71.8	72.4	76.5	72.0	80.7	85.5	97.0
Developing countries	39.4	47.1	49.7	50.0	11.9	17.0	22.5	21.6
Latin America	8.1	9.1	10.8	10.8	4.7	5.5	6.8	6.2
Africa	5.1	6.9	7.0	7.2	1.0	2.1	2.0	2.6
Near East	8.4	11.3	11.2	12.0	1.7	2.9	3.4	3.6
Far East	12.8	9.3	9.9	10.2	4.2	6.3	7.2	7.0
India	5.3	0.5	0.2	-	0.3	-	-	-
Asian CPE	4.9	10.4	10.7	9.7	0.3	0.2	3.1	2.2
China	4.4	8.6	8.2	7.0	0.2	0.1	3.0	2.0
Other developing	0.1	0.1	0.1	0.1	-	-	-	-
Developed countries	23.5	24.7	22.7	26.5	60.1	63.7	63.0	75.4
Western Europe	7.0	7.1	6.8	7.7	28.7	25.4	24.8	26.2
EEC 2/	5.3	5.2	4.5	4.5	20.2	15.1	14.0	15.0
Japan	5.6	5.8	5.6	5.6	14.2	16.9	17.8	18.0
Eastern Europe	4.5	4.6	4.6	5.0	7.1	8.2	8.3	9.0
U.S.S.R.	5.9	6.7	5.2	8.0	7.9	11.5	10.0	20.0
Other developed	0.5	0.5	0.5	0.2	2.2	1.7	2.1	2.2

	1974-76	1977	1978 (prelim)	1974-76	1977	1978 (prelim)
VALUE OF EXPORTS	(million U.S. dollars)			(million U.S. dollars)		
World total	11 363	9 187	11 285	10 278	9 563	11 602
Developing countries	419	723	644	1 469	1 422	1 629
Developed countries	10 944	8 464	10 641	8 809	8 141	9 973

1/ Trade season July/June
2/ Excluding intra-trade

While export availabilities of wheat will be sufficient to meet the expected record world import demand in 1979/80, the forecast volume of trade in grains and other agricultural commodities would result in close-to-capacity utilization of transportation, handling and port facilities in several major exporting countries. Any significant disruptions in transportation systems, due to developments such as an unusually severe winter in North America, labour problems or fuel shortages, could cause exports to fall short of the level forecast. Prices could then rise further and create additional difficulties for importing countries, and particularly for developing importing countries.

COARSE GRAINS

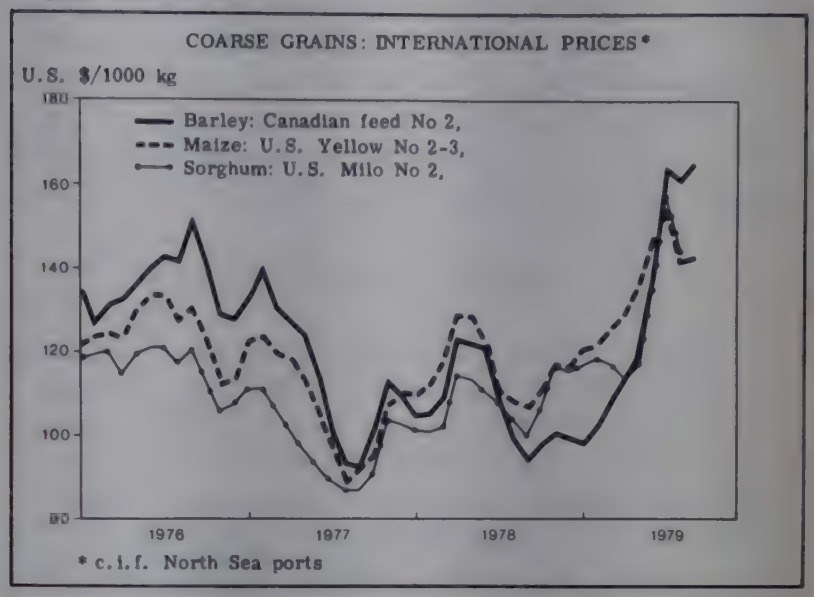
Highlights

Despite the record crop of 759 million tons in 1978 and larger availabilities of other feedstuffs in several major consuming countries, world imports of coarse grains increased further in 1978/79. Prices on international markets rose during most of the season due to strong import demand. Closing stocks were higher again by 10 percent reaching a new peak at 107 million tons, as production exceeded consumption for the third consecutive year. Output of coarse grains is forecast to decline by 24 million tons in 1979, and smaller crops in importing countries are expected to lead to larger volume of trade. Export availabilities are probably adequate to meet import requirements in 1979/80, but the actual volume of world trade could be constrained by handling and transport capacities, particularly of the United States, which is expected to account for most of the increase in export shipments. Stocks are expected to fall to 99 million tons by the end of the 1979/80 season and export prices are likely to remain at or rise above current levels.

World trade expands at higher prices in 1978/79

World imports of coarse grains rose to an estimated 86 million tons in 1978/79, compared to 81 million tons in the previous year. This was a 6 percent increase, compared to the annual average increase of 4 percent in the previous four years; it reflected larger imports by developing countries, which rose by almost one third as a result of increased demand for both food and feed. Imports into developed countries, particularly the U.S.S.R. and the EEC, were smaller as a result of larger domestic cereal crops and increased availabilities of other feedstuffs.

Figure 11



World production of coarse grains increased by 6 percent to 759 million tons in 1978, following favourable weather and higher yields in most countries. There was expansion in all regions except Latin America where output was affected by drought in Brazil. The increases were especially pronounced in barley and maize.

Given the large 1978 crop, consumption expanded further with most of the increase occurring in animal feed use. Coarse grains consumption was markedly higher in the United States, the U.S.S.R. amd the EEC. Imports increased in a number of developing countries, including the Republic of Korea, Malaysia. Mexico and Venezuela, where rising demand for livestock products, associated with rapid income growth, led to further expansion in coarse grain utilization in animal feeding.

At a record 197 million tons, world stocks at the end of the 1978/79 season were higher for the third consecutive year. This total exceeded the level of the previous year's estimate by 11 million tons and reflected larger inventories in both major exporting and importing countries. More than 45 percent of the world total, and over 80 percent of the recorded holdings of the five major exporters, were in the United States.

Coarse grain prices declined in international markets early in the 1978/79 season when prospects indicated another large crop in the United States. The trend was, however, reversed during the second quarter and prices were rising steeply by the end

of the season. The rapid growth of farmer-owned reserves in the United States, together with continuing strong import demand, were the principal factors behind the rise in prices. The accelerated increases towards the end of the season were prompted by poor production prospects in North America, the U.S.S.R. and Europe, In the last week of June 1979, quotations for U.S.No.2 yellow maize (f.o.b. Gulf) reached U.S.$124 per ton, roughly a 30 percent increase through the season and the highest since August 1975.

Unfavourable weather lowers production in 1979

World coarse grain production declined to an estimated 735 million tons in 1979 against the record crop of 759 million tons in 1978; lower yields due to unfavourable weather in several producing regions more than offset the slight expansion in planted area. The 1979 crop is nevertheless expected to be the second largest in history. Most of the decline will be in the developed countries, where output is forecast to fall by 20 million tons. In the U.S.S.R., production is expected to drop to 90 million tons from 107 million tons. Lower output is also anticipated in western and eastern Europe, Canada, South Africa and Australia. An increase was expected only in the United States, due to record yields.

Coarse grains output was forecast only marginally lower in the developing countries. Smaller production was in prospect for India, Indonesia and southern Africa where crops had suffered from serious drought. In Argentina, output declined from the record level of 1978 but larger crops are expected in China and Brazil. Most of the global decline results from sharply lower output of barley, rye and oats, reflecting crop developments mainly in the U.S.S.R. World production of maize, which accounts for 50 percent of the coarse grain total, continues on an upward trend, largely as a result of the excellent United States crop.

Increased trade, higher prices and reduced stocks in 1979/80

International trade in coarse grains is expected to expand further in 1979/80, favoured by smaller crops in major importing countries. World imports of coarse grains are forecast at 97 million tons, 10 million tons larger than the record of the previous year and more than double the quantity traded in 1970/71. The U.S.S.R. is expected to import 20 million tons, double the amount of its purchases in 1978/79. A large share of this quantity will be supplied by the United States under a five year grains agreement which allows for up to 25 million tons of wheat and coarse grains exports to the U.S.S.R. in 1979/80. It is expected that maize will be a substantial part of the increase, given the U.S.S.R.'s large requirements for feed grains and the relatively low maize price. Larger quantities of coarse grains will be imported also in western Europe, eastern Europe and southern Africa, partly to offset local declines in production.

TABLE 13- PRODUCTION OF COARSE GRAINS, BY TYPE

	1974-76 average	1977	1978 (prelim)	1979 (forecast)
	.....million tons.....			
Maize	317.0	346.0	361.6	372.2
Barley	168.8	176.4	195.2	177.7
Sorghum	62.9	67.9	69.2	68.1
Millet	32.7	33.9	35.8	33.4
Oats	48.2	51.2	50.8	44.2
Rye	30.3	25.6	32.4	25.4
Others	14.0	13.8	14.3	14.2
Total	673.9	714.8	759.3	735.2

Although coarse grain supplies in some exporting countries may be lower than in 1978/79, total export availabilities in the current season are expected to be adequate to meet import requirements. Virtually all of the increase in world exports in 1979/80 is likely to be from the United States, while sales from South Africa and Argentina are forecast to be lower because of reduced output in these countries. Accordingly, the United States' share of world exports of coarse grains would rise from 65 to 70 percent, maize accounting for 90 percent of total shipments. The situation also implies that if the United States' exports should fall below the forecast level as a result of possible transport difficulties, it is unlikely that other sources can make up the shortfall.

World carryover stocks of coarse grains are forecast to fall in 1979/80 for the first time since 1975/76, declining by 8 million tons to 99 million tons in the 1979/80 crop season. Most of the reduction will be in developed countries, including the United States, Canada, South Africa and particularly the U.S.S.R. The decline

in United States' stocks will involve also farmer-owned reserves. Given the relatively high coarse grain prices, they have been open for redemption most of the time since the beginning of the 1979/80 seasons; about 6 million tons of the accumulated coarse grains reserve of 22 million tons have in fact been redeemed by the end of October.

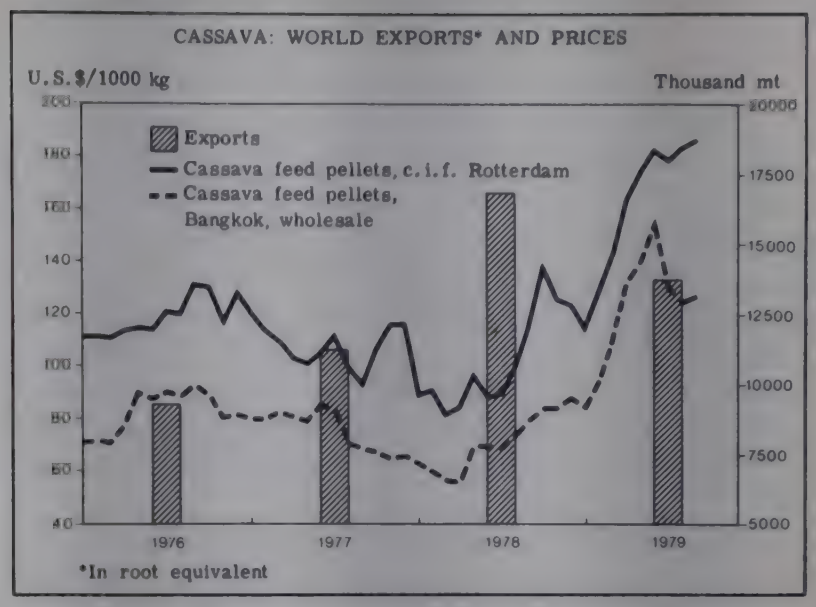
Coarse grain prices reached a peak in international markets at the beginning of the 1979/80 season; in early July, United States maize (No.2 yellow, f.o.b. Gulf) was quoted at U.S.$134 per ton compared with the average of U.S.$103 for the 1978/79 marketing year. Maize prices have stabilized since then at around U.S.$120 per ton, but the price spread between wheat and maize has remained wide, reflecting the rise in maize production and in its availability on the world market. The price differential of wheat (No.2, hard winter, ordinary protein) over maize (No.2 yellow) roughly doubled in the United States between April/May and September/October 1979 to $60 per ton. In some importing countries, this wide margin is likely to encourage the larger feed use of United States coarse grains, relative to domestic or imported wheat. The world demand for coarse grains is expected to continue strong in 1979/80 and international market prices are likely to exceed those of last year.

CASSAVA

Highlights

World cassava production rose only marginally in 1979 with sharply reduced output in Thailand offsetting increases in several Asian and African countries. As a result of the smaller Thai export availabilities, the volume of trade decreased by over 20 percent from the record level of the previous year. But export earnings rose substantially owing to a rise in prices of over 50 percent. Given normal weather conditions in the main growing areas, and a recovery of production in Thailand to the 1978 level, world cassava production in 1980 is tentatively estimated to rise by about 4 percent, and trade could reach the high volume of 1978. Though import demand for cassava is expected to remain good, greater supplies could weaken international prices in 1980.

Figure 12



Little production growth in 1979 due to reduced Thai crop

The recorded production of cassava is estimated to have increased by less than 1 percent in 1979 to 120 million tons of roots, corresponding to about 40 million tons of grain equivalent. Output in Thailand declined by 2 million tons due to extensive damage from floods in September and October 1978, severe drought which limited replanting in early 1979, and Government measures aimed at slowing down the spread of cassava monoculture in newly cleared forest areas.

In other major producing areas the production of cassava increased. In Africa, output rose by an estimated 2 percent, mainly as a result of larger acreage and better yield in the main producing countries, including Zaire, Nigeria and Mozambique, where cassava is mainly used as food. Larger areas were also planted to cassava in several countries in Asia and the Far East, particularly India, Indonesia, the Philippines and Viet Nam. In Latin America, production increased only slightly as a result of declining per caput consumption of cassava as food due to the diversification of diets in urban areas, and a slower growth in demand for feed caused by the gradual shift of many livestock producers from cassava to more intensive forms of feeding. In Brazil, several cassava-based power alcohol plants came on stream in 1979 but their reported consumption accounted for less than 0.5 percent of the country's cassava output, partly because in many

TABLE 14 - CASSAVA: PRODUCTION, TRADE AND PRICES

PRODUCTION 1/

	1974-76 average	1977	1978 (prelim.)	1979 (estim.)
	(. . . . million tons . . . . .)			
World total	108	117	119	120
Developing countries	108	117	119	120
Latin America	31	32	32	32
Brazil	26	26	25	25
Africa	41	43	44	45
Angola	2	2	2	2
Mozambique	2	2	2	3
Nigeria	10	11	11	11
Tanzania	4	4	4	4
Zaire	10	12	13	13
Far East	30	33	34	34
India	6	6	6	7
Indonesia	13	12	12	13
Malaysia	2/	2/	2/	2/
Philippines	1	2	2	2
Thailand	7	12	13	11
Asian CPE	6	9	9	9
China	...	6	6	6
Viet Nam	1	3	3	3

NET EXPORTS 1/

1974-76 average	1977	1978 (prelim.)	1979 (estim.)
(. . . . thousand tons . . . . .)			
8 580	11 264	16 892	13 773
8 580	11 264	16 892	13 773
142	122	143	240
131	109	130	210
63	60	122	227
20	24	27	27
13	3	3	-
-	-	-	-
-	-	60	170
-	-	-	-
8 375	11 082	16 577	13 126
-	-	20	70
755	476	450	850
98	65	99	125
-	-	1	1
7 522	10 541	16 007	12 080
-	-	50	180
-	-	50	180
-	-	-	-

NET IMPORTS 1/

1974-76 average	1977	1978 (prelim.)	1979 (estim.)
(. . . . thousand tons . . . .)			
8 007	11 330	16 795	13 600
226	166	150	111
4	5	1	5
1	1	1	1
197	160	148	105
76	72	76	55
-	-	-	20
57	63	62	16
24	-	-	-
24	-	-	-
7 781	11 164	16 645	13 489
479	200	186	165
459	188	178	155
6 835	10 566	16 016	12 933
6 804	10 513	15 940	12 850
31	53	76	83
466	398	443	390
1	-	-	1

PRICES

1974-76 average	1977	1978 (prelim)	1979 (estim)
U.S. dollars per metric ton 3/			
174.72	180.96	153.41	285.45
...	256.67	237.51	379.20
72.82	75.48	71.22	123.00
113.65	108.28	102.13	166.45

VOLUME OF CASSAVA FEED IMPORTS INTO THE EEC

1974-76 average	1977	1978 (prelim.)	1979 (estim.)
(. . . . thousand tons 3/. . . .)			
1 364	2 027	2 765	2 074
560	960	1 509	1 132
593	733	1 025	769
170	201	713	535
-	-	88	90
2 687	3 921	6 100	4 600

VALUE OF CASSAVA FEED IMPORTS (c.i.f.) INTO THE EEC

1974-76 average	1977	1978 (prelim.)	1979 (estim.)
(. . million U.S. dollars . . .)			
153	219	282	345
65	104	154	188
71	79	105	128
22	22	73	89
-	-	9	15
311	424	623	765

1/ Root equivalent. 2/ Reported production less than 0.5 million tons. 3/ Product weight.

parts of Brazil the use of sugar cane is more economical than that of cassava in the production of power alcohol.

Trade volume falls but export earnings increase due to record prices

World cassava trade declined by nearly 20 percent in 1979, following a 40 percent rise in 1978, as a result of reduced export availabilities from Thailand, Exports from several other countries, particularly China, Indonesia and Tanzania, increased in 1979 and there were also small shipments from Brazil, India, Malaysia, Malawi, Madagascar, Togo and several small suppliers in Latin America. World cassava trade in 1979 is thus expected to total about 13.8 million tons of root equivalent (or 5.5 million tons in product weight) 1/ compared with nearly 17 million tons in root equivalent (6.6 million tons in product weight) during 1978. The decline in cassava exports in 1979 represents the first major downturn following a decade of rapid expansion.

International prices of cassava products rose sharply during 1979 as the magnitude of the damage to Thailand's crop became known and exporters found it difficult to cover forward sales commitments. For example, the price of cassava pellets, ex warehouse, Bangkok, rose from an average of U.S.$71.2 for 1978 to an average of U.S.$123 during the first 9 months of 1979. As a result, the export value of internationally traded cassava products rose sharply, and probably exceeded U.S.$700 million in 1979, as against less than U.S.$600 million in the previous year.

In March 1979, the EEC and Thailand agreed to keep the volume of Thai cassava exports to the EEC at the previous year's level, and to renegotiate future export levels annually. The EEC has also agreed to give to Thailand U.S.$11 million aid for agricultural development, including U.S.$3 million for promoting crop diversification in cassava growing areas. Research to identify potentially profitable replacement crops for cassava, such as winged beans, has already started.

Larger crops and increased trade expected in 1980

Stimulated by the high prices prevailing in the past year, Thailand's cassava acreage expanded in the second half of 1979 and given normal yields, production is expected to increase in 1980. Output in other parts of the Far East, in Africa, and in Latin America is also likely to increase, though the actual size of the harvests will depend on weather conditions and on the rate of domestic utilization in the producing countries. The expected increases in export supplies of Thailand, India, Indonesia, Malaysia and the Latin American and African exporters, should be readily absorbed in the international markets, particularly in the EEC, which has accounted in recent years for 85 percent of world imports of cassava.

Export prices of cassava will, however, continue to be influenced by the international supply and the prices of feedgrains and oilseed meals, as well as by the size of the 1980 grain and fodder harvests in the EEC. Unless there are exceptional developments, the export price of cassava pellets is not likely to rise above the level of U.S.$140 per ton reached between May and July 1979.

MEAT

Highlights

World production of pigmeat, which had exceeded that of bovine meat for the first time in 1978, continued to expand in 1979, and its relative importance increased further as bovine meat production declined in 1979. Production of poultry meat and sheep meat also increased. The net effect, however, was a further slowing down in the rate of expansion of total meat production. Changes in supplies and relative prices of different meats meant a further shift in consumption to pigmeat and poultry meat. Total meat trade is expected to have remained largely unchanged in 1979 due to lower bovine meat exports offsetting increased trade in other types of meats. However, with higher prices, particularly for beef, the value of trade in current terms increased substantially. The short-term outlook points to a further declined in beef production, while a less favourable feed situation and slower growth in demand will probably limit the increase in pig meat and poultry meat output. Prices in international trade of beef and sheep meat are

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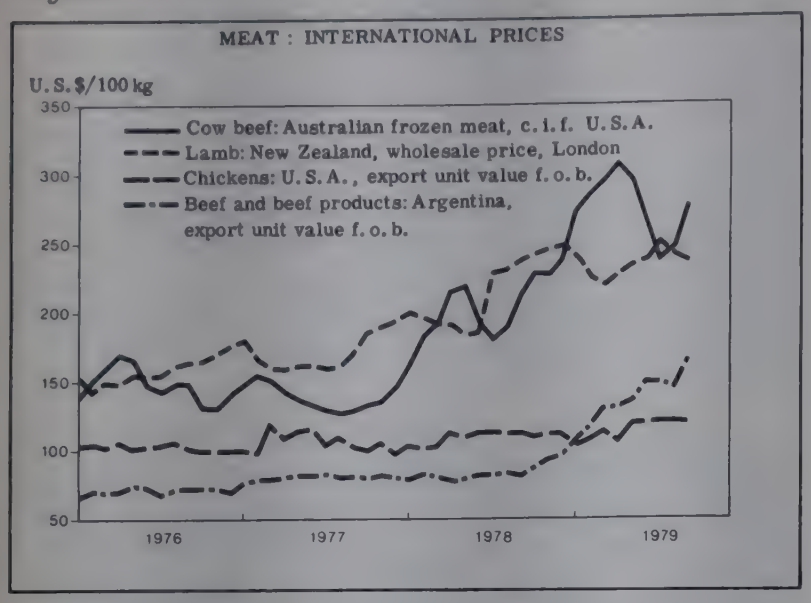
1/ Product weight refers to the volume of the dried and processed products made from cassava roots, such as cassava chips and pellets, flour, starch and other similar commodities.

expected to remain firm in the short run and there may also be some increase in prices of pigmeat and poultry meat.

Figure 13



Pigmeat production replaces beef as the most important meat

There was probably a further slowing down in the expansion of world meat production in 1979 to less than 2 percent. Beef production, which had remained largely unchanged in 1978, is estimated to have declined by 4 percent in 1979. This decline was, however, more than offset by continued expansion of the other main meats.

The divergent trends meant that in 1979 pigmeat production exceeded world bovine meat production by approximately 10 percent. In 1978 pigmeat production expanded virtually worldwide, with the major exception of the United States. However, pigmeat production in the United States rose sharply in 1979; in the first half of the year it was 10 percent higher than for the same period of 1978, and with pig numbers at 1 June the highest since 1971, production in the second half is expected to have increased by at least 20 percent compared with July-December 1978. Expansion continued in most other developed countries, and was particularly marked in Canada (18 percent) and Japan (8 percent). Pigmeat production in the EEC increased further in 1979 but the latest census suggests that the cyclical expansion of the herd has ended. In the U.S.S.R. and eastern Europe, the growth of production slowed down because of the cold winter of 1978/79 and a deterioration in the feed situation. In China, the world's largest pigeat producer, the rate of expansion of pig numbers remained considerable in 1979. In Latin America, and particularly in Brazil, production was affected by outbreaks of African Swine Fever.

The decline in world beef production in 1979 reflected lower production in North America, and in the exporting countries of Oceania and Central and Latin America. Cattle numbers continued to decline in North America and Oceania during 1978 but the low point was probably reached in 1979 and rebuilding of herds appears to have started. In Argentina, beef output rose to a record level in 1978 at the expense of cattle inventories but, with reduced slaughter in the latter half of the year, total production should remain largely unchanged in 1979. Lower supplies in Mexico and Uruguay during 1979 led to both countries reducing exports, and even considering imports. In Europe and the U.S.S.R., where production is less affected by cyclical fluctuations, small increases (one percent or less) in 1979 beef production are expected.

Production of sheep and goat meat continued to increase slowly, with expansion in developing countries offsetting lower production in developed countries. In Oceania, improved profitability of wool and sheepmeat resulted in some rebuilding of flocks and a consequent drop in sheepmeat production. In the U.S.S.R. and Europe, sheep numbers continued to increase, although sheepmeat production hardly changed.

Poultry meat production expanded again by around 5 percent in 1978 and there was a further marked increase in 1979. Among developed countries, 1979 production is estimated to have increased by around 10 percent in both the U.S.S.R. and the United States, by about 7 percent in Japan but more slowly in the EEC. Rapid expansion continued in Brazil, the major developing exporting country, and probably in China.

Further shift in consumption to pigmeat and poultry

Demand for meat remained relatively strong in the developing countries, particularly in the Near East, as well as in Japan, the U.S.S.R. and eastern Europe in 1978 and 1979.

In the United States, as a result of supply and price developments, total meat consumption levelled off at 110 kg per caput in 1978 with that of beef falling to 55 kg. High beef prices at a time of substantially increased supplies of pigmeat and poultry, resulted in a further reduction in beef consumption in 1979, large enough to cause a fall in per caput meat consumption.

Beef and total meat consumption per head also declined in Oceania, where strong export demand

BLE 15 - MEAT: LIVESTOCK NUMBERS, MEAT PRODUCTION, TRADE AND PRICES

LIVESTOCK NUMBERS

	1974-76 average	1977	1978	1979 (estim.)
	(. . . million head . . . .)			
VINE CATTLE				
World total	1 328	1 347	1 344	1 337
Developing countries	882	907	911	912
of which: Argentina	57	61	61	58
Developed countries	446	440	433	425
of which: EEC	80	79	79	80
U.S.A.	129	123	116	111
U.S.S.R.	109	111	113	114
Oceania	42	42	39	35
EEP AND GOATS				
World total	1 459	1 474	1 495	1 522
Developing countries	915	944	965	984
of which: Argentina	39	38	37	36
China	153	157	161	170
Developed countries	544	530	530	538
of which: EEC	55	56	57	58
U.S.S.R.	149	145	147	149
Oceania	205	195	192	195
GS				
World total	684	704	736	749
Developing countries	389	407	422	423
of which: Brazil	36	37	38	36
China	267	280	292	301
Developed countries	295	297	314	326
of which: EEC	69	71	74	76
U.S.A.	55	55	57	60
U.S.S.R.	67	63	71	75

PRODUCTION 1/ (4 main types of meat)

	1974-76 average	1977	1978	1979 (estim.)
	(. . . . thousand tons . . . .)			
World total	120 520	127 740	130 477	133 000
Bovine meat	45 672	48 415	48 404	46 700
Sheep and goatmeat	7 179	7 241	7 278	7 300
Pigmeat	45 228	47 390	48 863	51 500
Poultry meat	22 441	24 694	25 932	27 500
Developing countries	40 810	43 992	44 912	
Bovine meat	13 667	14 787	15 097	
Sheep and goatmeat	3 703	3 777	3 852	
Pigmeat	16 525	17 880	18 273	
Poultry meat	6 915	7 548	7 690	
Developed countries	79 710	83 748	85 565	
Bovine meat	32 006	33 628	33 307	
Sheep and goatmeat	3 476	3 464	3 426	
Pigmeat	28 703	29 510	30 590	
Poultry meat	15 525	17 146	18 242	

EXPORTS

	1974-76 average	1977	1978	1979 (estim.)
	(. . . . thousand tons . . . .)			
rld total 2/	9 301	10 741	11 202	11 045
Bovine meat (fresh, chilled, frozen)	2 437	2 968	3 193	3 020
Sheep and goatmeat " " "	663	811	773	785
Pigmeat " " "	1 022	1 163	1 184	1 235
Poultry meat " " "	729	950	1 004	1 070
Other meat " " "	751	900	991	1 005
Meat, prepared and canned 3/	2 097	2 276	2 194	2 170
Live animals 3/	1 602	1 673	1 863	1 760
veloping countries	1 876	2 244	2 441	2 440
Bovine meat (fresh, chilled, frozen)	466	642	722	660
Sheep and goatmeat " " "	83	87	95	105
Pigmeat " " "	73	56	33	30
Poultry meat " " "	37	86	114	150
Other meat " " "	204	242	286	295
Meat, prepared and canned 3/	361	491	478	450
Live animals 3/	652	640	713	700
veloped countries	7 425	8 497	8 761	8 655
Bovine meat (fresh, chilled, frozen)	1 971	2 326	2 471	2 360
Sheep and goatmeat " " "	580	724	678	680
Pigmeat " " "	949	1 107	1 151	1 205
Poultry meat " " "	692	864	890	920
Other meat " " "	547	658	705	710
Meat, prepared and canned 3/	1 736	1 785	1 716	1 720
Live animals 3/	950	1 033	1 150	1 060

VALUE OF EXPORTS

	1974-76 average	1977	1978
	(. million U.S. dollars .)		
rld total 2/	12 997	15 853	18 958
Bovine meat (fresh, chilled, frozen)	3 851	4 870	6 011
Sheep and goatmeat " " "	722	921	1 060
Pigmeat " " "	1 677	2 106	2 400
Poultry meat " " "	825	1 176	1 355
Other meat " " "	761	1 015	1 251
Meat, prepared and canned 3/	2 421	2 672	2 940
Live animals 3/	2 740	3 093	3 941
veloping countries	2 090	2 540	2 998
Bovine meat (fresh, chilled, frozen)	552	765	948
Sheep and goatmeat " " "	100	117	147
Pigmeat " " "	116	116	68
Poultry meat " " "	36	95	127
Other meat " " "	197	257	342
Meat, prepared and canned 3/	383	453	468
Live animals 3/	706	737	898
veloped countries	10 907	13 313	15 960
Bovine meat (fresh, chilled, frozen)	3 299	4 105	5 063
Sheep and goatmeat " " "	622	804	913
Pigmeat " " "	1 561	1 990	2 332
Poultry meat " " "	789	1 081	1 228
Other meat " " "	564	758	909
Meat, prepared and canned 3/	2 038	2 219	2 472
Live animals 3/	2 034	2 356	3 043

TABLE 15 - MEAT: LIVESTOCK NUMBERS, MEAT PRODUCTION, TRADE AND PRICES (cont'd)

	IMPORTS				VALUE OF IMPORTS		
	1974-76 average	1977	1978	1979 (estim.)	1974-76 average	1977	1978
	(. . . . thousand tons . . . .)				(million U.S. dollars)		
World total 2/	9 154	10 483	10 882	10 735	13 357	16 533	20 010
Bovine meat (fresh, chilled, frozen)	2 472	3 038	3 033	2 890	3 894	5 119	6 295
Sheep and goatmeat " " "	621	743	731	765	798	1 087	1 281
Pigmeat " " "	1 007	1 048	1 145	1 165	1 725	2 009	2 419
Poultry meat " " "	703	941	980	1 040	833	1 231	1 413
Other meat " " "	730	872	935	940	873	1 180	1 466
Meat, prepared and canned 3/	2 052	2 185	2 248	2 220	2 415	2 712	3 132
Live animals 3/	1 569	1 656	1 810	1 715	2 819	3 195	4 004
Developing countries	1 592	2 083	2 357	2 345	1 932	2 859	3 463
Bovine meat (fresh, chilled, frozen)	238	344	522	465	328	519	764
Sheep and goatmeat " " "	126	224	192	205	168	316	298
Pigmeat " " "	28	34	48	45	41	58	89
Poultry meat " " "	240	409	492	510	256	478	625
Other meat " " "	62	81	86	90	62	79	88
Meat, prepared and canned 3/	332	361	357	360	295	383	416
Live animals 3/	566	630	660	670	782	1 026	1 183
Developed countries	7 562	8 400	8 525	8 390	11 425	13 674	16 547
Bovine meat (fresh, chilled, frozen)	2 234	2 694	2 511	2 400	3 566	4 600	5 531
Sheep and goatmeat " " "	495	519	539	540	630	771	983
Pigmeat " " "	979	1 014	1 097	1 120	1 684	1 951	2 330
Poultry meat " " "	463	532	488	550	577	753	788
Other meat " " "	668	791	849	870	811	1 101	1 378
Meat, prepared and canned 3/	1 720	1 824	1 891	1 860	2 120	2 329	2 716
Live animals 3/	1 003	1 026	1 150	1 050	2 037	2 169	2 821

PRICES OF INTERNATIONAL SIGNIFICANCE

			1974-76 average	1977	1978	Reference period	1978	1979	Percent change	1978
			(. . . . . national currency . . . . .)							US cents kg. 4/
CATTLE:	EEC	E.U.A./ECU/100 kg	101.5	126.8	130.0	Jan/Sept.	131.2	131.5	+ 0.2	165.6
	U.S.A.	US cents/kg	92.3	89.0	115.1	"	113.5	149.6	+ 31.8	115.1
	Argentina	Pesos/kg	23.6	168.5	371.1	"	310.8	1 094.0	+152.0	46.6
	Australia	A. cents/kg	25.6	28.7	37.9	"	34.8	79.4	+128.2	43.4
BEEF:	U.S.A.	US cents/kg	137.4	138.3	201.5	"	192.4	274.2	+ 42.5	201.5
	Argentina	Pesos/kg	456.3	326.5	658.9	"	800.4	1 819.5	+127.3	82.8
PIG	EEC	E.U.A./ECU/100 kg	126.8	138.5	131.7	"	133.1	121.3	- 8.8	167.8
	U.S.A.	US cents/kg	96.7	92.8	107.6	"	107.4	100.3	- 7.0	107.6
LAMB:	U.K.	Pence/kg	71.6	97.2	111.6	"	109.1	110.9	+ 1.6	214.2
POULTRY:	U.S.A.	US cents/kg	52.3	51.8	58.2	"	60.1	58.8	- 2.2	58.2
	Germany,F.R.	DM/100 kg	182.3	193.0	186.0	"	187.5	186.9	- 0.3	92.6

Cattle (live weight) :
- EEC - Adult cattle, weighted average.
- U.S.A. - Slaughter steers, choice, Omaha.
- Argentina - Young bulls (Novillos) at Market Liniers.
- Australia - Oxen and/or heifers, first and second export quality.

Beef :
- U.S.A. - Boneless cow beef, Australian manufacturing, c.i.f.
- Argentina - All beef, average unit value of exports, f.o.b.

Lamb :
- U.K. - New Zealand PLS, carcases, Smithfield.

Pig :
- EEC - Weighted average, slaughter weight.
- U.S.A. - Barrow and gilts, weighted average, Omaha, live weight.

Poultry (live weight) :
- U.S.A. - Average producer price for broilers.
- Germany, F.R. - Average producer price for broilers.

1/ In terms of carcase weight, excluding slaughter fats and offals.
2/ Including intra-EEC trade.
3/ Carcase weight equivalent.
4/ All conversions into U.S. cents in this table are based on 1978 averages of monthly conversion factors obtained from International Monetary Fund.

absorbed a growing share of output, but in Argentina, despite rising prices, there was an increase in meat consumption in 1978 and early 1979, although consumption has since fallen. In the EEC, total meat consumption per head increased to about 86 kg in 1978 and rose further in 1979. However, a decline in sheep meat consumption in the EEC is expected, reflecting a continued fall in the United Kingdom. Increased beef consumption and exports of beef led to the reduction of EEC beef stocks during 1978 and the first half of 1979. Subsequently, however, stocks began to be accumulated again and could have reached 300 000 tons by the end of 1979, equivalent to 4 percent of annual beef and veal consumption and well above annual net imports of of the EEC.

Globally, changes in supplies of different meat types and in their relative prices meant a further shift in actual consumption to pigmeat and poultry.

Further slowdown in growth of international trade but value of trade boosted by higher beef and sheepmeat prices

The volume of international trade continued to expand in 1978 although more slowly than in previous years. Exports of sheepmeat, pigmeat and poultry meat increased in 1979, but as beef exports declined, total meat trade was probably largely unchanged. However, due to higher prices, particularly for beef, the value of world exports increased to approximately U.S.$23 000 million.

In the first half of 1979 there was an increase in the volume of all meats traded. Trade in bovine meat was sharply higher than in the same period of 1978 as Argentinian exports were almost 25 percent higher and those of Australia and New Zealand also increased, although to a lesser extent. However, exports have since fallen and are expected to show a decrease for the year as a whole. Australian and New Zealand exports were largely to the higher priced markets of the United States, Japan and Canada, where larger import quotas were fixed for 1979. Prices in the trade between these countries were largely determined by developments in the United States market, where prices rose sharply in the first four months of 1979. Prices of imported beef reached a peak of over U.S.$3 000 per ton c.i.f. in mid April. Prices then declined rapidly due to increased domestic meat supplies, particularly of pigmeat and poultry, and the effects of lagging consumer incomes on demand. Some recovery occurred in the third quarter.

The sharp increase in international beef prices, which had begun in 1978, initially benefited only Australia, New Zealand and those Central American developing countries allowed to supply the North American market. However, since late 1978, as exporters to North America and Japan had less to market elsewhere, and as import and domestic demand remained strong, other exporters also benefited from increased prices. Following the temporary price decline in the United States market, the differential between the prices in this market and other markets narrowed substantially.

The EEC continued to be a significant net importer of beef and live cattle as well as of meat as a whole. The quantities of beef and live cattle permitted under special arrangements were further increased in 1978 and 1979. Among the developing countries, the Republic of Korea became a significant meat importer in 1978. In the first four months of 1979 its beef imports tripled to 22 000 tons; however, with continued high prices, imports were temporarily suspended in mid year. Most other developing importing countries significantly reduced their beef imports following the sharp price increases.

International trade in sheep meat and live sheep appears to have recovered a little in 1979 after the decline of 1978. Exports from developing countries and eastern Europe continued to expand, but both Australia and New Zealand exported less than in 1978. Despite a substantial reduction in Iranian imports, international trade in sheepmeat increased in early 1979. The U.S.S.R., which imported little mutton in 1978, re-entered the market in 1979. North African and Arab Near East countries remained active buyers and in late 1979 Iran again negotiated large supply contracts.

International trade in pigmeat and poultry meat is to a large extent intra-EEC trade, though the Community remained a small net importer of pigmeat in 1979. In other markets, the more rapid expansion in 1979 appears to have been stimulated by higher beef prices. In the United States, higher domestic production probably resulted in a decline in pigmeat imports and an increase in exports in 1979. In the first half of 1979, its exports of pigmeat increased by 4 percent, largely to Japan, Mexico and the Republic of Korea. Japan remained the world's major net importer of pigmeat.

Eastern European countries also continued to increase exports of pigmeat and, even more so, poultry meat. Poultry meat exports from the EEC

rose, particularly to the U.S.S.R. and the Near East, and there was a sharp increase in United States poultry exports as well. In 1979 poultry meat exports by developing countries also rose further. Likewise, imports by developing countries grew further in 1979. especially those of Egypt, Iran and Saudi Arabia, With purchases of an estimated 150 000 tons, the latter country was among the leading poultry meat importers.

Short-term outlook

The growth cf world meat output will probably slow down further in 1980. World output of bovine meat is expected to continue to fall in 1980 as a result of the rebuilding of herds in North America and its major supplying countries, namely Oceania and Central America; in fact, production of bovine meat is not expected to increase before 1982-83. In Argentina, where the cyclical reduction in cattle numbers continued well into 1979, there was some evidence of herd rebuilding having begun in the latter part of 1979. In the U.S.S.R. and eastern Europe the growth of beef production could slow down, due to shortage of feed, while there should be another small rise in western Europe.

Production of sheep and goat meat is expected to continue to expand slowly in both developed and developing countries. Further rebuilding of sheep flocks seems likely in Oceania during 1980 with some increase in sheep meat production. Output of sheep meat could continue to increase in Europe and the U.S.S.R. It also appears likely that continued strong demand for sheep meat in the Near East will stimulate further production growth in developing countries.

Somewhat higher feed prices and slower economic growth is expected to reduce the rate of expansion of pigmeat and poultry meat production. In the U.S.S.R., insufficient feed supplies may lead to a reduction in pig and poultry numbers, thus providing increased meat supplies early in the year but necessitating imports later in 1980. Pigmeat production in the EEC may fall slightly in the first half of 1980, but continued expansion in Japan and some recovery in production in Latin American countries is expected.

The forecast reduction in beef production together with a slowing down in expansion of other meat supplies suggests that international beef prices are likely to remain high during 1980. However, slower income growth could limit expansion of demand in many producing and importing countries. Demand for meat is likely to remain strong in the U.S.S.R. and eastern Europe, where prices are heavily subsidized. However, high international beef prices could also stimulate the replacement of beef imports by pig meat and/or poultry in the U.S.S.R. and also in some developing countries. Increased demand for pig meat and poultry at a time of slower production growth in major producers and exporters suggests some improvement in the presently depressed level of prices of these meats in international trade. Sheep meat prices in international trade are likely to remain at or above current levels in 1980 due to strong import demand and only a slow rise in export availabilities

MILK AND MILK PRODUCTS

Highlights

Notwithstanding a substantial reduction in stocks and a rise in prices in international trade, especially of skim milk powder, the dairy situation in 1979 remainded one of supplies considerably exceeding commercial outlets. Mainly due to adverse weather in several major producing areas, world milk output grew only slowly in 1979. Consumption rose faster than in 1978 though this reflected partly massive disposals at heavily subsidized prices, notably in the EEC. In international trade, volume and, even more so, value increased with OPEC countries and the U.S.S.R. being the main growth markets. In 1980 milk production may grow somewhat more rapidly whereas prospects for demand appear less favourable. Hence, the imbalance between supply and commercial outlets will probably persist although there could be some further decrease in stocks and increase in prices in international trade.

Very slow growth in world milk output

The expansion in world milk output slowed down further in 1979. From an unusually large increase of 3 percent in 1977, the growth rate fell to 2 percent in 1978 and probably to less than one percent in 1979. This was primarily due to adverse weather. The severe winter in the northern hemisphere was followed by floods and drought in parts of eastern Europe and the U.S.S.R., resulting in a significant drop in milk output, notwithstanding increased dairy cow numbers. In the EEC, the growth rate of milk production was

TABLE 16 - MILK PRODUCTION AND DAIRY COW NUMBERS

	MILK PRODUCTION				DAIRY COW NUMBERS			
	1974-76 average	1977	1978	1979 (prelim.)	1974-76 average	1977	1978	1979 (prelim.)
	(. . . . . thousand tons . . . . .)				(. . . . . thousand head. . . . .)			
World total	430 606	448 430	457 465	460 000	...	...	...	...
Developing countries	93 209	98 660	101 700	103 500	...	...	...	...
Asia	55 517	58 287	59 318	60 200	...	...	...	...
Latin America	30 743	33 021	34 747	35 500	...	...	...	...
Other developing	6 949	7 352	7 635	7 800	...	...	...	...
Developed countries	337 397	349 770	355 765	356 500	101 206 1/	100 553 1/	101 075 1/	101 196 1/
United States and Canada	60 791	63 405	62 928	63 500	13 284	12 989	12 868	12 724
EEC	99 977	102 781	107 137	109 000	25 013	25 027	25 147	25 200
Other western Europe	27 021	28 160	28 569	29 000	3 785 2/	3 693 2/	3 665 2/	3 640 2/
Australia and New Zealand	12 555	11 938	11 513	12 200	5 203	4 891	4 690	4 597
U.S.S.R.	90 519	94 929	94 500	92 000	41 755	41 987	42 592	43 050
Eastern Europe	38 343	39 576	41 736	41 000	10 924 3/	10 790 3/	10 885 3/	10 900 3/
Other developed	8 191	8 981	9 382	9 800	1 242 4/	1 176 4/	1 228 4/	1 292 4/

1/ Countries listed below.
2/ Austria, Finland, Norway, Sweden, Switzerland.
3/ Czechoslovakia, German D.R., Hungary, Poland.
4/ Japan only.

TABLE 17 - WHOLE MILK POWDER AND CONDENSED MILK: PRODUCTION AND TRADE

	WHOLE MILK POWDER				CONDENSED AND EVAPORATED MILK			
	1974-76 average	1977	1978	1979 (estim.)	1974-76 average	1977	1978	1979 (estim.)
	(. . . . . thousand tons . . . . .)				(. . . . . thousand tons. . . . .)			
PRODUCTION								
World total	1 238	1 495	1 540	1 580	4 328	4 542	4 581	4 600
United States and Canada	35	38	40	45	1 083	1 097	1 136	1 145
EEC	354	483	526	545	1 267	1 310	1 272	1 220
Australia and New Zealand	86	161	152	155	94	117	113	115
U.S.S.R.	207	225	227	225	486	560	544	550
EXPORTS								
World total 1/ 2/	391	565	583	...	681	814	832	...
United States and Canada	17	16	7	...	23	40	53	...
EEC (inc. intra-trade)	270	405	391	...	545	621	630	...
EEC (excl. intra-trade)	203	338	310	...	420	538	518	...
Australia and New Zealand	53	92	109	...	7	10	10	...
IMPORTS								
World total 1/ 2/	264	347	375	...	689	845	826	...
EEC (inc. intra-trade)	72	78	87	...	134	114	121	...
EEC (excl. intra-trade)	1	2	2	...	-	1	-	...
Developing countries	137	200	222	...	454	631	604	...
of which OPEC	35	77	84	...	190	314	312	...

1/ Including EEC intra-trade.
2/ The difference between world imports and exports of both whole and skimmed milk powder is due to difficulties of classification in the case of countries whose statistics do not give sufficient breakdowns.

TABLE 18 - BUTTER AND CHEESE: PRODUCTION, TRADE AND STOCKS

	BUTTER (factory)					CHEESE 1/				
	1974-76 average	1977	1978	1979 (estim.)		1974-76 average	1977	1978	1979 (estim.)	
	(. . . . . thousand tons . . . . .)					(. . . . . thousand tons . . . . .)				
PRODUCTION										
World total	6 543 2/	6 915 2/	6 970 2/	7 000 2/		9 647	10 380	10 684	11 000	
United States and Canada	555	605	556	540		1 917	1 921	1 992	2 050	
EEC	1 665	1 727	1 870	1 910		2 874	3 088	3 179	3 250	
Australia & New Zealand	394	373	337	350		199	187	200	230	
U.S.S.R.	1 250	1 408	1 380	1 320		1 290	1 453	1 521	1 550	
Eastern Europe	640	713	739	725		991	1 057	1 064	1 075	
Developing countries	1 438 2/	1 484 2/	1 504 2/	...		1 391	1 475	1 506	...	
EXPORTS 3/										
World total 4/	973	1 026	1 013	...		1 037	1 194	1 222	...	
EEC (incl. intra-trade)	634	696	706	...		718	813	839	...	
EEC (excl. intra-trade)	102	255	249	...		186	208	218	...	
Australia & New Zealand	222	244	209	...		114	132	114	...	
IMPORTS 3/										
World total 4/	1 001	968	1 030	...		1 023	1 048	1 197	...	
United States and Canada	11	2	6	...		128	116	131	...	
EEC (incl. intra-trade)	680	557	618	...		623	688	723	...	
EEC (excl. intra-trade)	146	135	132	...		100	104	82	...	
Japan	21	4	2	...		50	65	70	...	
U.S.S.R.	11	76	39	...		7	6	6	...	
Developing countries	236	304	325	...		122	183	181	...	
of which OPEC	67	91	95	...		56	104	100	...	
STOCKS	(31 December)			(1 Sept.)		(31 December)			(1 Sept.)	
				1978	1979				1978	1979
United States and Canada	43	113	112	167	148	241	256	242	266	295
EEC	184	372	541	467	582	304	340	354	380	430
Australia & New Zealand	74	78	79	45	25	40	68	65	40	45
U.S.S.R.	161	177	135	293	...	...	...	...	...	...

1/ Including cottage cheese. 2/ Including farm butter and ghee.
3/ For butter, including butter fat and concentrates. 4/ Including EEC intra-trade.

TABLE 19 - SKIM MILK POWDER: PRODUCTION, TRADE AND STOCKS

PRODUCTION

	1974-76 average	1977	1978	1979 (estim.)
	(. . . . . thousand tons . . . . .)			
World total	3 785	3 995	4 082	3 950
United States and Canada	610	662	554	500
EEC	1 843	1 909	2 073	2 000
Australia & New Zealand	354	308	259	260
U.S.S.R.	212	275	306	300

STOCKS

	(31 December)			(1 Sept.)	
	1974-76 average	1977	1978	1978	1979
	(. . . . . thousand tons . . . . .)				
World total	...	...	...	...	...
United States and Canada	313	377	301	386	306
EEC	870	970	674	894	414
Australia & New Zealand	256	155	101	75	90
U.S.S.R.	...	...	...	...	...

EXPORTS

	1974-76 average	1977	1978
	(. . . . . thousand tons . . . . .)		
World total 1/	1 129	1 588	1 762
United States and Canada	116	236	246
EEC (incl. intra-trade)	676	953	1 216
EEC (excl. intra-trade)	209	420	435
Australia & New Zealand	308	220	195
Japan	-	-	-
Developing countries	...	...	...
of which OPEC	...	...	...

IMPORTS

	1974-76 average	1977	1978
	(. . . . . thousand tons . . . . .)		
	1 309	1 790	2 033
	29	4	5
	465	553	830
	1.	4	-
	-	-	-
	69	114	140
	564	893	986
	126	177	220

1/ Including EEC intra-trade.

only about half that in 1978 as the effects of bad weather were reinforced by policy measures. The programme to reduce the number of dairy cows, accompanied by a decrease in the real price to milk producers in recent years, appears to have eventually brought about some decline in the dairy herd in the EEC during 1979. Policy action to curb milk output was also pursued elsewhere in western Europe and Canada. However, in the United States, significant increases in the milk support price helped to maintain the milk/feed price ratio at a favourable level. Consequently production rose slightly despite a further reduction in dairy cow numbers. Production continued its rapid expansion in Japan. In Oceania, improved grazing conditions and a slowdown in the decline in dairy cow numbers resulted in a marked recovery in milk output during the 1978/79 dairy year. In the main dairying areas of the developing countries, i.e. South Asia and South America, production was affected by adverse weather. Total output of the developing regions grew by just under 2 percent to 103.5 million tons, slightly over one fifth of world output.

With only a little growth in liquid milk consumption in food and feed use, the manufacture of dairy products expanded slightly faster than milk output. Cheese and whole milk powder continued to absorb a growing share of manufacturing milk, whereas the output of butter and condensed and evaporated milk virtually levelled off and output of skim milk powder fell slightly.

Accelerated increase in consumption

In contrast to output, consumption of milk and milk products as a whole grew somewhat faster than in 1978, especially as demand was encouraged by large scale subsidization in both the food and feed sector. Demand for cheese and fresh milk products remained strong virtually worldwide, the effects of rising incomes being accompanied by the industry's efforts to expand the variety of supplies. The demand for other milk products also continued to rise in Japan and in the developing countries as well as in eastern Europe and the U.S.S.R., where consumers continued to benefit from stable, but generally highly subsidized, prices. In some richer developing countries, milk and milk products consumption was also subsidized to a considerable extent, with emphasis on vulnerable consumer groups. While liquid milk consumption increased in Australia owing to intensive sales promotion, it levelled off or declined in New Zealand, western Europe and North America.

The rise in butter consumption in the developed market economies reflected massive subsidization rather than a reversal of the historical downward trend of demand. This holds true in particular for the EEC, the world's largest butter producing and consuming area. The EEC also continued its various schemes to dispose of liquid and dry skim milk at low prices for livestock feed. Disposals have reached over 2 million tons of skim milk powder equivalent annually in recent years, with subsidies from nearly 50 percent in the calf feed sector up to about 80 percent in the pig feed sector.

Renewed expansion in international trade

The volume of international trade in dairy products, which had virtually levelled off in 1978, grew by an estimated 5 percent to approximately 36 million tons of milk equivalent in 1979. Of this, about 14 million tons was intra-EEC trade. With higher prices, the value of international dairy trade (expressed in current U.S.$) rose faster than volume, and the 1979 value is provisionally estimated at U.S.$10 billion including intra-EEC trade) compared with about U.S.$9 billion in 1978. On the import side, the main growth areas were the U.S.S.R. and OPEC. Leaving aside intra-EEC trade and the EEC's imports of butter under preferential terms from New Zealand, the U.S.S.R. became the largest butter importer in 1979, purchasing predominantly from the EEC. The U.S.S.R. also imported sizeable quantities of other milk products, yet these imports hardly exceeded one percent of total supplies. Similarly, eastern Europe, where output lagged well behind plan targets, increased imports and reduced exports. Imports of the developing countries also rose in 1979 reaching approximately 14 million tons of milk equivalent. The members of OPEC alone imported milk products at an estimated 4 million tons of milk equivalent, with Iran remaining by far the biggest importer of butter and cheese in the developing regions. Among the net importing developed market economy countries, the United States and Japan bought more cheese and casein, although total dairy products imports into Japan fell, owing to the growth of domestic milk supplies outpacing that of consumption.

Both the two leading dairy products exporters, the EEC and New Zealand, supplied more than in 1978, and their combined exports now account for nearly three quarters of total world exports (excluding intra-EEC trade). Exports of other developed market economies levelled off while

TABLE 20 - MILK AND DAIRY PRODUCTS: PRICES OF INTERNATIONAL SIGNIFICANCE

		1974-76 average	1977	1978	ref. period	1978	1979	Change 1979 to 1978	1978 5/
		(. . . . . national currency . . . . .)						%	US $/ 100 kg
Producer prices of milk									
United States 1/ (all milk, about 3.7% fat)	US$/100 lb	8.91	9.72	10.55	I-IX	10.26	11.55	+12.6	23.26
Germany, F.R. 2/ 3/ (all milk, 3.7% fat)	DM/100 kg	48.57	53.90	54.94	I-VI	52.97	53.64	+ 1.3	27.35
New Zealand 1/ 4/ (manuf. milk, 4.7% fat)	NZ$/100 kg	6.83	7.88	8.46	I-IX	8.15	8.55	+ 4.9	8.78
Wholesale prices of dairy products									
Butter, U.S.A. (Chicago, grade A)	US¢/lb	79.1	98.4	109.1	I-IX	106.8	119.4	+11.8	241
Cheese, U.S.A., Cheddar (Wisconsin)	US¢/lb	88.5	98.3	106.4	I-IX	104.4	122.0	+16.9	235
Cheese, Netherlands, Gouda, full cream	Gld/kg	4.92	5.68	5.51	I-IX	5.54	5.45	- 1.6	255
Skim milk powder, U.S.A. (Chicago, spray)	US¢/lb	63.4	68.2	73.8	I-IX	72.4	81.8	+12.9	163
Export prices of dairy products									
Butter oil, Australia/ New Zealand, f.o.b.	US$/tonne	1 160	1 270	1 280	I-IX	1 280	1 310	+ 2.3	1 280
Skim milk powder, Australia/ New Zealand, f.o.b.	US$/tonne	580	418	550	I-IX	5.00	5.90	+18.0	550

1/ Delivered to the dairy plant.
2/ Net of value-added tax.
3/ Ex-farm.
4/ Years beginning June of the year shown.
5/ All conversions into U.S.$ are based on 1978 averages of monthly conversion factors.
Source: International Monetary Fund.

sales of the few developing countries which export dairy products shrank further. In 1979 international trade again included about 250 000 tons of skim milk powder and some 50 000 tons of butter oil, shipped under food aid programmes, with the EEC and North America remaining the main suppliers.

Sharp reduction in skim milk powder stocks

The rising demand in international trade and on domestic markets of major producing countries, accompanied by slower growth in production and, in particular, the massive disposal of surplus products in the feedstuffs sector, resulted in a sharp reduction in skim milk powder stocks, especially in the EEC. On 1 September 1979 the EEC, North America and Oceania together held stocks of about 0.8 million tons as against 1.35 million tons one year earlier and 1.6 million tons in September 1977. As a result, prices in international skim milk powder trade increased substantially, although at close to U.S.$650 per ton in the third quarter of 1979, they were still considerably below the levels of domestic market prices in the major northern hemisphere producing and exporting countries. Prices of other dairy products in international trade rose less, notably those of items with a high content of milk fat, as butter stocks of developed market economy countries reached an all time high of 0.75 million tons by September 1979.

Excess of supplies over commercial outlets to continue in 1980

Assuming normal weather, milk output in 1980 should recover in the U.S.S.R. and eastern Europe, while the expansion could accelerate in the developing countries. However, in the developed market economies, where dairy cow numbers are likely to decline further and governments of most surplus producing countries will probably pursue measures to curb output, the pace of growth may remain relatively moderate.

While in western Europe the production expansion could accelerate somewhat, it should slow down in Japan and, in particular, in Oceania, with little change in North America. However, prospects for demand in these countries have deteriorated with the slow down in economic activity. While sales to the developing countries and, at least in the early part of 1980, also to the centrally planned developed countries are likely to remain substantial, the major surplus producing countries will need to continue large-scale disposal of milk products at low prices to prevent a new rise in stocks. The expenditure on milk price support and related measures, which in the latter group of countries is estimated to have reached a record level of over U.S.$7 billion, in 1979, is not likely to fall significantly in 1980.

RECENT FAO COMMODITY REPORTS ON CEREALS, CASSAVA AND LIVESTOCK PRODUCTS

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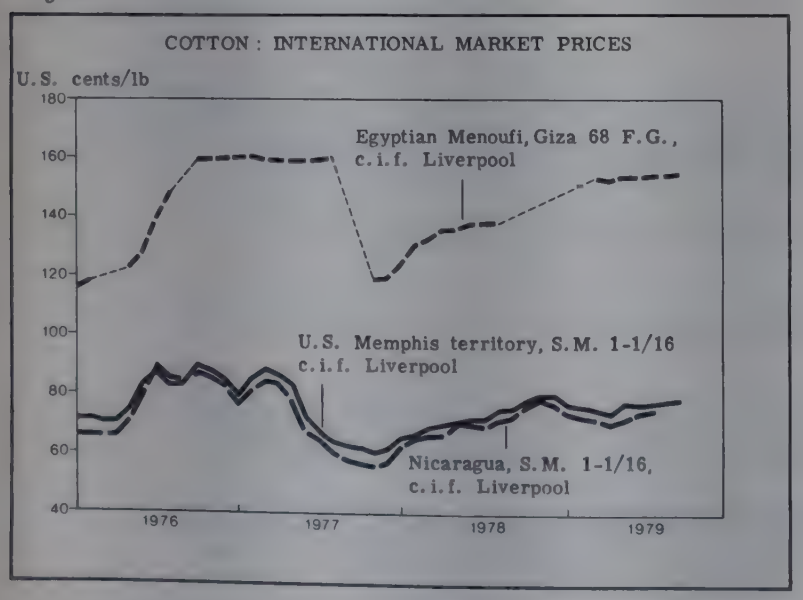
AGRICULTURAL RAW MATERIALS

COTTON

Highlights

Global output of cotton declined substantially during 1978/79 but consumption rose to record levels in 1978 and the volume of world trade increased markedly. The shortfall in output resulted in a 10 percent fall in stocks by end of season in August 1979 and led to upward pressures on prices of most common types of cotton. Export earnings from cotton in 1978 were virtually unchanged from the previous year in spite of an increase of about 10 percent in the volume of exports, reflecting the low prices obtained for cotton in the 1977/78 season. There will be little change in the volume of world cotton trade in 1979, but rising prices during the 1978/79 crop year will increase export earnings considerably. World cotton output is forecast to rise by about 6 percent during 1979/80 but consumption could fall somewhat. However, stocks need replenishment and cotton is likely to remain competitive with polyester and other man-made fibres. These factors will tend to sustain the strength in cotton prices.

Figure 14



Cotton production down in 1978/79

After two successive increases, world cotton production fell by about 6 percent in 1978/79, from 13.9 million tons to 13.0 million tons, reflecting unattractive prices at planting time and low yields due to adverse growing conditions. The production shortfall in the United States accounted for much of the global decline. Production was slightly lower in the U.S.S.R. but remained near 1977/78 levels in other developed countries. The developing region's combined output of standard types of cotton remained close to the previous year's level in 1978/79. A significant production increase in Africa and slight increases in the Far East and China, due to area expansion and higher yields, offset the declines occurring in Latin America and the Near East. Global production of extra long staple is estimated to have risen by 3 percent to 560 000 tons in 1978/79, largely accounted for by India, the U.S.S.R. and Peru. Production of this staple length of cotton stagnated in Egypt and declined in the Sudan and the United States.

World cotton consumption recovers; global stocks decline

The world textile industry recovered in 1978 from the depressed conditions of the previous year, and revived spinning activity continued well into 1979. Cotton utilization increased by 2 percent to 13.3 million tons in 1978, almost entirely due to rising demand in developing countries. Mill consumption rose in Latin America, Asia, Africa, the Far East, China and in some eastern European countries. By contrast, mill use fell for the second consecutive year in western Europe and the United States mainly due to strong competition from man-made fibres. The decline in cotton mill intake in western Europe was also attributed to increased imports of textiles. The rise in cotton demand in 1978/79, coupled with a reduction in output, led to a decline in global stocks by almost 10 percent, to 4.8 million tons on 1 August 1979, the fastest reduction occurring in the United States. World stocks represented the equivalent of 4.3 months' utilization compared to 4.8 months in August 1978.

Considerable volume increase but unchanged export earnings in 1978

Revived demand for textiles led to a marked rise in import requirements for raw cotton, particularly in the major textile exporting countries of the Far East, mainly Japan, Republic of Korea and China. World cotton exports rose accordingly by some 10 percent to a record of 4.4 million tons in 1978. The United States and, to a lesser extent, some Near Eastern, Far Eastern and Latin American countries shared in the increase. By contrast, shipments from most developed countries,

TABLE 21 - COTTON: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION 1/			UTILIZATION		
	1974-76 average	1977	1978 (prelim.)	1974-75 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)			(. . . . thousand tons . . . .)		
World total	12 749	13 892	13 059	13 128	13 077	13 326
Developing countries	7 632	7 617	7 608	6 968	7 066	7 370
Latin America	1 569	1 764	1 685	945	969	1 015
Africa	506	441	485	236	247	251
Near East	1 489	1 563	1 431	671	728	745
Far East	4 068	3 849	4 007	5 116	5 122	5 359
China	2 327	2 049	2 168	2 662	2 750	2 852
Developed countries	5 117	6 275	5 451	6 160	6 011	5 956
United States	2 208	3 133	2 364	1 475	1 438	1 379
Eastern Europe & U.S.S.R.	2 622	2 783	2 731	2 489	2 510	2 530
U.S.S.R.	2 604	2 764	2 710	1 887	1 902	1 913
Other developed	287	359	356	2 196	2 063	2 047

	EXPORTS			VALUE OF EXPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-75 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)			(. . million U.S. dollars . .)		
World total	3 938	3 923	4 355	4 881	6 043	5 958
Developing countries	2 088	1 864	2 112	2 683	2 953	2 845
Latin America	690	704	897	763	956	1 051
Africa	306	275	248	323	366	324
Near East	863	747	799	1 380	1 444	1 276
Far East	229	138	168	217	187	194
China	43	70	22	47	85	24
Developed countries	1 850	2 059	2 243	2 198	3 090	3 113
United States	931	973	1 279	1 126	1 536	1 740
Eastern Europe & U.S.S.R.	807	975	859	927	1 373	1 217
U.S.S.R.	805	972	858	925	1 368	1 215
Other developed	112	111	105	145	181	156

	CARRYOVER STOCKS AT 1 AUGUST OF YEAR SHOWN			PRICES (C.I.F. UNITED KINGDOM)			
	1974-76 average	1977	1978 (prelim.)		1974-76 average	1977	1978
	(. . thousand tons . .)				(U.S. cents per kg)		
World total	5 913	4 645	5 375	United States, Memphis Territory SM 1-1/16"	151.86	159.19	160.01
Developing countries	3 406	2 857	2 909	Nicaragua, SM 1-1/16"	136.32	151.23	154.87
China	1 045	876	643	Syria, SM 1-1/16"	151.04	148.81	159.35
Other net exporters	1 644	1 352	1 495	Turkey, 1-1/16" RG	149.22	166.27	161.78
Net importers	717	629	771	Egyptian, Menoufi FG	312.17	333.39	295.54
Developed countries	2 420	1 745	2 444	Polyester (F 013, Plant U.S.) 2/	A103.00 R112.44	123.50 127.87	119.10 125.67
United States	956	650	1 193				
U.S.S.R.	685	475	506				
Other net exporters	86	81	122				
Net importers	693	539	623				
Afloat	87	43	22				

1/ Season beginning 1 August of year shown.
2/ Reported average market price for 1.5 denier. A = actual, R = raw fibre equivalent.

including the U.S.S.R., and from China and Africa, fell. The value of world cotton exports in 1978 was about the same as in the previous year, despite the increase in the volume traded, reflecting the low prices obtaining in the 1977/78 crop year, especially for long staple cotton. Near East exporters were affected, in particular those whose earnings fell by about 12 percent notwithstanding a substantial increase in the volume of their exports. Recent information indicates that the volume of world cotton exports in 1979 will be close to their 1978 level, but the value of exports will rise substantially because of higher prices.

Cotton price strengthened in 1978 and 1979

The tight supply situation during the 1978/79 season exerted an upward pressure on prices of most types throughout 1978. Thus, the price of Strict Middling 1-1/16" c.i.f. North Europe rose from the low of U.S. cents 57 per lb in November 1977, to about U.S. cents 79 per lb in December 1978. With a favourable outlook for world cotton output, prices levelled off early in 1979. Fluctuating moderately during the first 9 months of 1979, they averaged U.S. cents 77 during September 1979 and were expected to remain around this level during the rest of 1979, sustained by additional demand to replenish stocks.

Short-term outlook for a closer balance between supply and demand

Producers responded favourably to the prevailing price levels and expanded the global area under cotton during 1979. If yields return to normal, as expected, this may raise world cotton production by 6 percent, to about 13.8 million tons in 1979/80. A strong recovery (20 percent) is anticipated in the United States. Production in the U.S.S.R., China, Pakistan and some Latin American countries could also recover, given adequate supplies of farm inputs and incentives under government support schemes. Plantings of extra-long staple cotton have been stepped up in Egypt, but the extent of expansion of area under these varieties planned in the Sudan will depend on export prospects of competing cash crops.

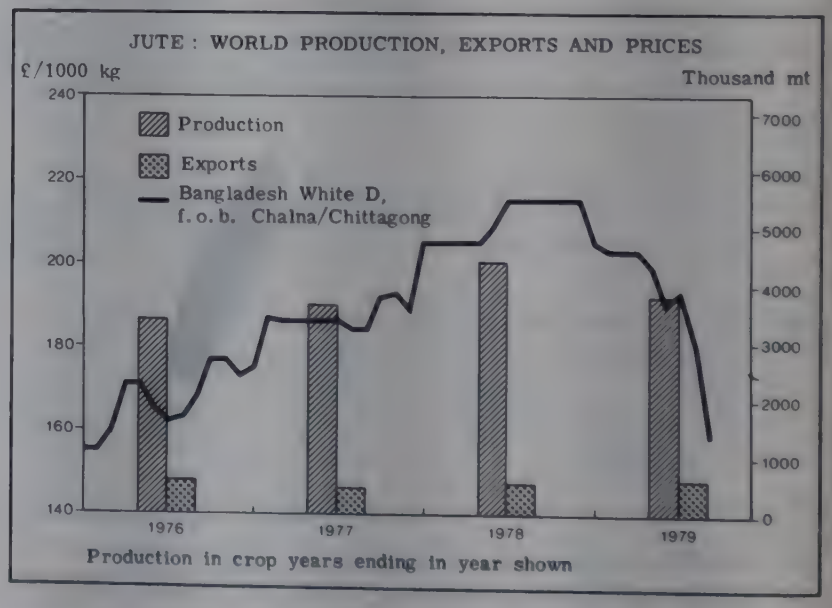
Current indications are that the strength in the textile sector may not be sustained in 1980; thus cotton use in 1980 could fall slightly from last season's level. However, high feedstock costs and the reduction in over capacity in the man-made fibre industry are expected to harden prices of synthetic fibres and to check further penetration of man-made fibres in the textile market. With import demand maintained at the 1978/79 level and the need to replenish stocks, world cotton prices could be maintained at their favourable 1979 levels during a large part of 1980.

JUTE, KENAF AND ALLIED FIBRES

Highlights

World production of jute, kenaf and allied fibres was a record 3.3 million tons in 1978/79. Exports also rose, reflecting larger imports by developing countries. The competitive position of jute fibre improved vis-à-vis competing polypropylene polymer following a sharp rise in the price of the latter and declining prices of fibre because of greater supplies. Mill consumption in the major Asian producing countries fell as a result of strikes and power shortages, and carryover stocks of fibre at the end of the 1978/79 season rose to about one million tons. Shortfalls in mill production also led to a reduction in exports of jute products and to a rise in prices which put jute products at a disadvantage compared to synthetics. Widespread drought in major growing areas curtailed 1979/80 production, but large carryover stocks, poor quality and limited import demand depressed prices during the first half of the season. Export availabilities in 1979/80 are estimated to be considerably higher than the previous season and in excess of forecast import requirements.

Figure 15



Record fibre production in 1978/79

Production of jute, kenaf and allied fibres rose by nearly 20 percent in 1978/79 to 3.3 million tons because of favourable farmgate prices compared to alternative crops at the time of sowing and good weather in major producing countries. Increased plantings were mainly responsible for the expansion, although yields were also higher in India, Bangladesh, and some smaller producing countries. In India, the world's largest producing country, output reached a record of 1.5 million tons, while production in Bangladesh increased to 1.2 million tons. Among the smaller producing countries, there was a sharp increase in Burma where the production trend is upward. Kenaf production advanced further in Thailand to 300 000 metric tons, but this output was still far short of the level of the early seventies.

Fibre exports increase in 1978/79

Exports of jute fibre increased by 17 percent in 1978/79. However, the volume was still far below the 1974-76 average, reflecting the long-term downward trend in trade in jute fibre. Larger purchases by developing countries and some improvement in the competitive position of jute were responsible for the increase. Prices of polypropylene polymer, the basic raw material for synthetic products competing with jute, rose sharply during the 1978/79 season following significant increases in prices of crude oil and chemical feedstocks. At the same time, export prices for jute fibre were falling during 1978/79 as a result of greater availabilities, although the seasonal average was still 6 percent above that recorded in the previous year. Exports from Bangladesh increased by 18 percent to 356 000 tons, while those from Thailand rose by nearly 20 percent to about 94 000 tons. Shipments from Burma increased sharply, but those from Nepal were severely curtailed because of a prolonged strike in the port of Calcutta which is used by this country for transit.

Exports of jute products dropped by 4 percent in 1978, but on a seasonal basis the reduction was much greater. Lengthy strikes in Indian mills and in the port of Calcutta in early 1979, and severe power problems in Bangladesh from December 1978 until June 1979, led to shortfalls in production, serious delays in shipments, and increases in prices, putting jute products at a severe disadvantage with their synthetic substitutes. Exports from India fell from 511 000 tons to 405 000 tons in 1978. On a seasonal basis, they dropped to 315 000 tons in 1978/79, the lowest figure on record. While exports of goods from Bangladesh showed some increase during the calendar year 1978, on a seasonal basis shipments fell from the 1977/78 peak of 530 000 tons to 467 000 tons in 1978/79. Exports from Thailand recovered sharply from the low volume of the previous year.

The recovery in exports of jute fibre and the reduction in those of jute products in 1978/79 was not fully reflected in imports during the same period, in part because of the time lag between export shipments and import receipts. World imports of jute fibre in 1978/79 rose by 7 percent. An advance in imports of developing countries, mainly in the Far East and Africa, was offset by the continuation of the downtrend in developed countries mainly as a result of further declines in domestic jute manufacturing, particularly in the EEC. World imports of jute products in 1978 were slightly below the level of the previous year. Consignments to developing countries appear to have fallen somewhat from the high 1977 volume, while imports into developed countries remained nearly stable. In the EEC, there was a further rise in purchases, offsetting in part the reductions in domestic output.

Value of trade rises in 1978/79

The value of exports of jute fibre rose considerably during 1978/79. The value of shipments of fibre from major exporting countries rose from U.S.$132 million to U.S.$182 million. The increase in Bangladesh's earnings was the result of the larger volume shipped.

Exports of jute goods from major producing countries increased from about U.S.$470 million in 1977 to U.S.$555 million in 1978, reflecting rising market prices. The value of shipments from India was slightly lower than during the previous calendar year. However, on a seasonal basis, the value of India's exports dropped by about one third between 1977/78 and 1978/79, reflecting the sharp fall in the volume of shipments. On the contrary, the calendar year value of goods exported from Bangladesh rose considerably, from about U.S.$190 million in 1977 to nearly U.S.$260 million in 1978, because of increased volume and prices. However, the rise was much less on a seasonal basis because of reduced export volume in 1978/79.

TABLE 22 - JUTE, KENAF AND ALLIED FIBRES: PRODUCTION AND TRADE 1/

	PRODUCTION 2/				IMPORTS		
	1974/75-1976/77 average	1977/78	1978/79 Estim.	1979/80 Forecast	1974/75-1976/77 average	1977/78	1978/79 Estim.
	(. . . thousand metric tons . . .)				(. thousand metric tons .)		
World total							
Fibre	2 462	2 796	3 341	2 740	652	533	570
Goods	2 617	2 872	3 300	...	1 200	1 227	1 210
Developing countries							
Fibre	2 419	2 747	3 289	2 688	262	233	272
Bangladesh	785	997	1 216	996	-	-	-
India	1 131	1 281	1 493	1 170	36	18	-
Thailand	292	240	300	260	-	-	-
Goods	2 167	2 499	2 984	...	365	388	363
Bangladesh	509	550	604	...	-	-	-
India	1 062	1 115	1 293	...	-	-	-
Thailand	165	182	182	...	-	-	-
Developed countries							
Fibre	43	49	52	52	390	300	298
Goods	450	373	316	...	835	839	847
Western Europe	221	164	140	...	138	182	211

	EXPORTS			VALUE OF EXPORTS		
	1974/75-1976/77 average	1977/78	1978/79 Estim.	1974/75-1976/77 average	1977/78	1978/79 Estim.
	(. . . thousand metric tons . . .)			(..million U.S. dollars ..)		
World total						
Fibre	608	467	543	151 3/	132 3/	182 3/
Goods	1 205	1 267	1 222	506 4/	473 4/	555 4/
Developing countries						
Fibre	595	458	534	151	132	182
Bangladesh	375	302	357	106	102	147
Thailand	133	79	90	28	23	23
Goods	1 041	1 102	1 044	506	473	555
Bangladesh	425	489	508	190	187	257
India	501	511	405	284	261	254
Thailand	83	60	92	32	25	44
Developed countries						
Fibre	-	-	-	-	-	-
Goods	164	165	178	...	...	...

	CLOSING STOCKS OF FIBRE		
	1976/77	1977/78	1978/79
	(..thousand metric tons ..)		
World total 4/	313	364	979

	PRICES		
	1976/77	1977/78	1978/79
BWD, £/long ton	177	197	208
Thai "A", US$/ton	291	323	287

1/ For goods all data refer to calendar year January-December of first year shown. World production of fibre and goods exclude Asian CPE for which production in 1978/79 is very roughly estimated at 1 100 thousand tons of fibre and 1 130 thousand tons of goods in fibre equiv.
2/ Production of goods in fibre equivalent.
3/ Includes only Bangladesh, India, Thailand and Burma.
4/ Includes only Bangladesh, India and Thailand.

Prices of fibre fall following record production

Prices of jute fibre, which had risen throughout the 1977/78 season because of supply shortage, weakened during 1978/79. In the first half of the year, despite the improved supply situation, prices were above the level of the comparable 1977/78 period, because of unusually large stock rebuilding by government corporations and private traders in the major producing countries. Export prices of BWD grade of Bangladesh raw jute (f.o.b. Chittagong/Chalna) averaged £215 per ton until January 1979. Thereafter, however, they were reduced, reflecting an easing of the supply situation, and by the end of May 1979 were set at £188, thus falling below the FAO indicative price range of £210 ± £20 established for the season in October 1978. Prices of Thai kenaf (grade A, f.o.b. Bangkok) also dropped, from an average of U.S.$323 per ton in 1977/78 to U.S.$287 in 1978/79.

During the first quarter of the 1979/80 season, prices of jute fibre fell sharply to less than £160 per ton despite reports that the 1979/80 crops in major producing countries were severealy curtailed and damaged by drought. The unusually large level of stocks, combined with a scarcity of quality fibre, were the major factors responsible for the reduction in prices. In Bangladesh, the decision was taken to establish a buffer stock of low grade fibre to be made available subsequently to domestic and export markets.

For the 1979/80 season, the indicative price range for jute, set by the FAO Intergovernmental Group on Jute, Kenaf and Allied Fibres, was held unchanged at £210 ± £20 (f.o.b. Chittagong/Chalna), while that for Thai kenaf was increased to U.S.$320 ± $20 (grade A, f.o.b. Bangkok).

Prospects for reduced 1979/80 crops but carryover stocks large

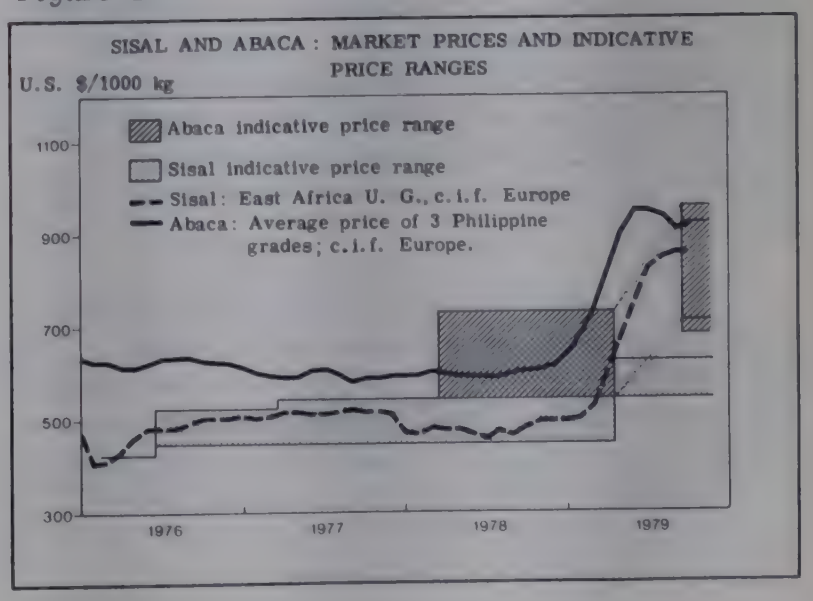
Production in the 1979/80 season is forecast to drop by 20 percent to 2.7 million tons because of widespread drought in the main growing areas. In India, the crop is expected to fall to 1.2 million tons, while in Bangladesh it may fall short of 1.0 million tons. Also in Thailand, a reduction in production is forecast, in part because of a shift by growers into other crops (to production of cassava). However, opening stocks at the beginning of the 1979/80 season are very large because of the large 1978/79 output and reduced mill consumption in producing countries. As a result, export availabilities are about 15 percent above the level of 1978/79 and exceed forecast import requirements. Therefore, despite the expected smaller production and the increased prices of synthetic substitutes, prices of jute fibre may remain weak under the depressing influence of large stocks of lower grade fibre.

HARD FIBRES

Highlights

Output of sisal and henequen resumed its downward trend in 1978 and that of abaca and coir yarn declined marginally, while production of coir fibre maintained its previous year's level. Preliminary estimates for 1979 indicate that production of sisal fell further, whereas output of abaca increased and that of coir remained constant. Demand in major consuming countries for all hard fibres started strengthening in 1978 and was well sustained throughout 1979. Supplies were frequently insufficient to cover the additional requirements. As a result, prices of all hard fibres, unattractive to many growers during 1978, rose considerably from the beginning of 1979 and in October some types were quoted at up to 80 percent above their end-1978 levels. The price incentives thus generated could well stimulate production in 1980, although there is a severe danger of overcutting of sisal and abaca which could reduce crops in 1980. With a steep rise in costs and prices of oil-based synthetic materials, the competitive position of natural fibres has improved and this should favourably affect demand in 1980, provided the price relationship does not deteriorate in favour of synthetics.

Figure 16



Sisal and henequen: downward trend resumed in 1978, but signs of improvement emerging for 1979 and 1980

The downward trend in world output of sisal and henequen had come to a temporary halt in 1977 but was resumed in 1978 when production fell by around 70 000 tons to an estimated 484 000 tons. The main causes of the decline, which reflected reduced output in all major producing countries of Africa and Latin America, were rising production costs and unremunerative prices to many growers, shortage of labour and transport in some countries and adverse weather in others. Preliminary estimates for 1979 point to a further fall in world production, although less steep than in the previous year. While in Brazil replantings in previous years were insufficient, in Mexico the henequen sector is being restructured with a view to a progressive abandonment of uneconomic holdings. In Tanzania, difficulties in cutting are only gradually being overcome. Thus, a possible recovery in the output of Kenya and Haiti is unlikely to compensate fully for the anticipated decline in the major producing countries. With a successful reorganization of the sisal sector under way in some producing countries, and persisting remunerative prices, the fall in output may come to a halt in 1980, although current price incentives may lead to over-cutting with detrimental effects for the future.

Exports of fibre shrank by more than 60 000 tons to an estimated 223 000 tons in 1978, while shipments of cordage from producing countries declined marginally to about 166 000 tons. This development reflected the continued reduction in the size of the market for agricultural twines, due to a progressive shift to silage and other methods of fodder preservation, particularly in the EEC countries. By contrast, the displacement of sisal and henequen harvest twines by polypropylene twine slowed down considerably both in the United States and Europe, mainly due to the availability of competitively priced natural twines from producing countries during the past two seasons.

The increase in oil prices and the repercussions on costs of polypropylene further improved the competitive position of sisal and henequen in 1979. Thus, preliminary estimates indicate that aggregate demand for fibres and manufactures in 1979 may have declined only marginally compared to the previous year, if at all. If petrochemical companies continue pricing polypropylene resin to fully cover their costs, sisal's position could further strengthen and a recovery in consumption of natural fibres may occur in 1980.

Prices of fibres fluctuated during 1978 around a constant trend, but on average they were lower than in 1977. They progressively rose towards the end of 1978, with supply falling continuously short of demand, and increased sharply during most of 1979. Aggregate export earnings of producing countries from fibre and manufactures declined by more than 5 percent to U.S.$173 million in 1978, as a consequence of reduced shipments and lower average prices, but they are expected to be substantially higher in 1979. Judged on the basis of prices for sisal fibre and twines at the start of the 1979/80 season, considerably higher export earnings will accrue to producing countries in 1980.

The indicative price range for East African UG sisal, which had remained constant at U.S.$450-550 per ton c.i.f. Europe for two years, was raised by the Intergovernmental Group on Hard Fibres in April 1979 to U.S.$525-625 per ton on account of continued inflationary pressures and rising production and freight costs. Actual market prices had remained within the limits of the range throughout 1978, but the prevailing supply shortage pushed prices well above the ceiling of the new indicative price during 1979. In view of short supplies, the export quota system remained temporarily suspended.

Abaca: booming prices - revised indicative price recommendations

World output of abaca, estimated at 91 000 tons in 1978, was marginally lower than in the previous year. The decline in stripping in the Philippines was mainly due to low levels of prices and wages paid to abaca farmers and strippers. Equally, in Ecuador too, abaca production has become less profitable than other crops and the steady increase of recent years appears to have levelled off. Current indications are that the incentives provided by the high market prices in 1979 will have lead to a higher output. Whether this momentum will be maintained during 1980 will very much depend on the degree of overcutting of immature stalks to satisfy market demand in 1979.

World exports of fibre, at nearly 45 000 tons in 1978, were below shipments in 1977. Exports of abaca pulp and of handicrafts from the

TABLE 23 - HARD FIBRES: PRODUCTION AND TRADE

PRODUCTION

FIBRES	1974-76 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)		
Sisal and henequen	642	554	484
Abaca	83	93	91
Coir fibre	134	130	130
Coir yarn	136	140	137
Other hard fibres 1/	80	74	68

IMPORTS

	1974-76 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)		
Sisal and henequen	339	266	221
Abaca	52	52	47
Coir fibre	96	93	91
Coir yarn	28	27	27
Other hard fibres 1/	6	3	2

EXPORTS

	1974-76 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)		
Sisal and henequen	322	285	223
Abaca	46	47	45
Coir fibre	96	103	99
Coir yarn	29	27	23
Other hard fibres 1/	6	3	2

VALUE OF EXPORTS

	1974-76 average	1977	1978 (prelim.)
	(. . million U.S. dollars . .)		
Sisal and henequen	173	102	91
Abaca	29	27	28
Coir fibre	16	19	18
Coir yarn	12	12	11
Other hard fibres 1/	3	1	-

EXPORTS

MANUFACTURES 2/	1974-76 average	1977	1978 (prelim.)
	(. . . . thousand tons . . . .)		
Sisal and henequen 3/	142	170	166
Abaca	16	22	22
Coir	15	19	18

VALUE OF EXPORTS

	1974-76 average	1977	1978 (prelim.)
	(. . million U.S. dollars . .)		
Sisal and henequen 3/	101	82	82
Abaca	20	26	26
Coir	12	17	18

PRICES, c.i.f. European ports

FIBRES	1974-76 average	1977	1978
	(. . U.S. dollars per ton . .)		
Sisal: East African UG	702	511	475
East African 3L	759	547	521
Brazil N.3	680	457	453
Abaca: G	772	602	614
JK	570	480	516
S2	950	700	661
Coir: Omat, twisted	316	365	365
Mattress, f.a.q.	210	200	210

1/ Alce, banana, cabuya, caroa, doum, fique, ixtle, maguey, phormium.
2/ From fibre-producing countries.
3/ Mainly cordage.

Philippines increased slightly, compensating for a minor reduction in shipments of cordage manufactures. Aggregate export earnings for fibre and manufactures valued at about U.S.$54 million represented a marginal increase over the previous year, mainly due to favourable prices obtained towards the end of 1978. Among the major consuming countries, the United States imported less fibre due mainly to a heavy drawing on stocks, while imports into Japan and the EEC changed little. Preliminary estimates indicate that demand for fibre in 1979 will have exceeded that of 1978, reflecting a further expansion of usage in speciality papers. Prospects for 1980 are favourable provided the current price relationship with substitutes does not deteriorate.

Prices of abaca fluctuated mildly during 1978 within the ranges recommended by the Intergovernmental Group on Hard Fibres in the informal arrangement reintroduced in March of that year. With the emerging shortage, however, prices began to rise in early 1979 and by end-March the indicator price (average of the three main grades of Philippines abaca) had exceeded the ceiling of the agreed range. No agreement could be reached at the Fourteenth Session of the Group in April on the amount by which indicative prices should be raised. The price recommendation was therefore temporarily suspended. In line with a provision of the arrangement, an emergency consultation of abaca producing and consuming countries was convened in September, which recommended that floor and ceiling price bands between 25 and 35 percent above the suspended price limits should rule until the end of November. With effect from December 1979, single floor and ceiling prices would automatically come into effect again, calculated on the basis of market prices ruling during the intervening period.

Coir: continued scarcity of husk for fibre extraction

World output of coir fibre in 1978 remained at around 130 000 tons, i.e. about the level of 1977. Difficulties in Sri Lanka in obtaining husks and a shortage of coir mill workers are likely to limit the expansion of production during 1979 and 1980. Exports of bristle and twisted fibres from Sri Lanka declined by more than 15 percent, reflecting reduced shipments to some important markets. The decline was only partially offset by larger exports of mattress fibre resulting from higher demand for coir as filling material. Larger exports were also reported from Thailand. Prices in the international market increased only marginally in 1978. Imports of twisted fibre in 1978 were higher in the EEC countries and in the United States, reflecting expanded demand for rubberized coir, but total world imports of coir fibre fell slightly. Preliminary estimates for 1979 indicate a reversal of this trend in global imports, which may continue into 1980 as long as coir fibres remain competitively priced with synthetic substitutes in their numerous uses.

Production of coir yarn declined marginally in 1978 to about 137 000 tons, with continued difficulties encountered in India in the availability of retted husks. Thus, given a rather stable domestic consumption in the main producing country, export availability of yarn declined, but shipments of coir mats, matting and other floor coverings remained at about the level of 1977. No major changes are expected in the volume of trade in 1979. However, aggregate export earnings from coir yarn and coir products which had remained constant at around U.S.$29 million in 1978 are expected to be substantially higher in 1979. Imports of yarn into the EEC, the main consuming region, in 1978 had remained at the previous year's level with France continuing to be the major consumer. Considerable difficulties were experienced towards the end of 1978 and during 1979 in meeting fully the import requirements of EEC countries. The attraction of the natural fibre image there and a growing demand for coir mats and floor coverings in the United States suggest a continued strong demand for 1979, and an increase in world imports would be possible in 1980 should supplies of yarn return to normal.

In India a sharp increase in the floor price for coir yarn and products was announced by the Coir Board in February 1979. The floor prices, which had remained unaltered since 1974, were revised upward in view of rising prices of green husks, increased minimum wages for workers and higher domestic transport costs.

NATURAL RUBBER

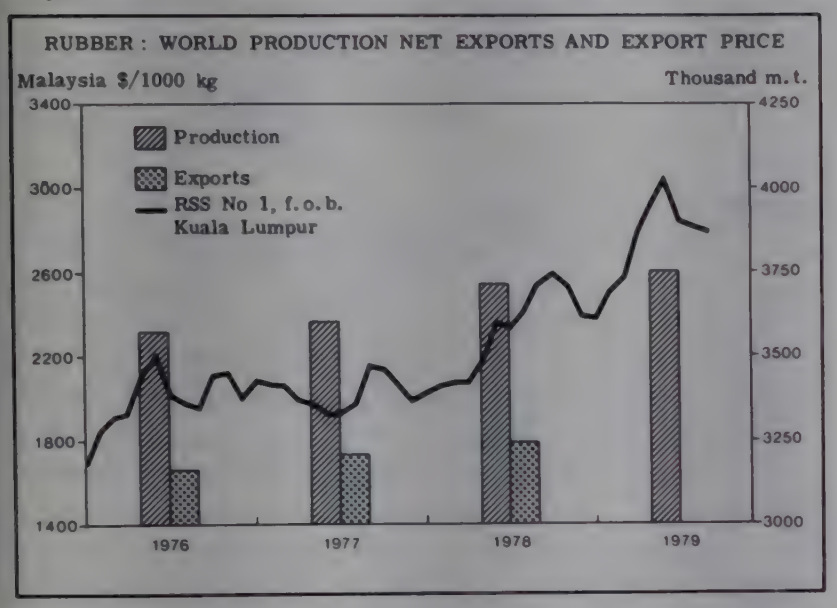
Highlights

World production of natural rubber in 1979 is expected to increase at about the same rate - 3 percent - as in the previous year. Although there was a further rise in utilization, the rate of growth fell during the latter part of the year, reflecting the economic slowdown in many developed countries. The proportion of natural rubber in

total elastomer consumption remained about the same as in 1978. The competitive position of natural rubber improved somewhat during early 1979, mainly because of further increases in prices of synthetic products. However, faced with strong import demand, prices of natural rubber subsequently increased.

World trade in natural rubber increased both in terms of volume and value in 1979 following the rises of 1 and 8 percent respectively the previous year. For 1980, however, despite indications that natural rubber will become more competitive vis-à-vis synthetics, earnings could fall because of weak demand for elastomers. Negotiations on an International Rubber Agreement were successfully concluded in October 1979.

Figure 17



World production of natural rubber rises

World production of natural rubber rose by 3 percent in 1978 to 3.7 million tons. Output rose by about 8 percent in both Indonesia and Thailand, while in Sri Lanka the increase was somewhat smaller. In contrast, in Malaysia, the world's largest producer, output declined for the second consecutive year, reflecting adverse weather early in the season, the low rate of replanting of the sixties, and the continuing conversion of rubber land to the cultivation of more remunerative crops such as oil palm and cocoa. The decline occurred in the plantation sector which accounts for about 42 percent of total output, while production in smallholdings rose slightly. Indian production was also lower, mainly because of unseasonal rains.

Production of natural rubber in 1979 is expected to rise by a further 2-3 percent. Malaysian production is forecast slightly above the level of recent years. Further increases are expected in Indonesia and Thailand, while a recovery is forecast in production in India.

Larger exports of natural rubber in 1979

World exports of natural rubber rose by about 1 percent in 1978. Shipments from both Indonesia and Thailand were higher, reflecting increased production levels. In contrast, reduced availabilities in Malaysia resulted in a 3 percent decrease in exports from that country. As a result of rising prices, the value of exports of natural rubber increased by about 8 percent to U.S.$2 800 million.

Preliminary indications are that world trade increased substantially in 1979. Shipments from Malaysia during the first half of the year were 5 percent above the comparable 1978 figure, while those of Thailand were about 13 percent greater during the first seven months of the year. On the import side, consignments of crude rubber to the United States were more than 10 percent greater during the first three quarters of 1979, while those to Japan were only 3 percent lower than the high 1978 figure.

Utilization lower in developed countries in 1979

Total elastomer consumption rose by about 3 percent in 1978. Reductions took place in utilization in a number of major developed markets, but these were offset by further increases in developing countries. Consumption of natural rubber was only marginally greater than the previous year, and the share of natural rubber in total elastomer utilization dropped again in 1978 to about 30 percent.

In the United States, consumption of natural rubber fell by 5 percent following the sharp rise of the previous year. The reduction reflected a 5 percent fall in production of car tyres. In most large western European markets, consumption of both natural and synthetic rubber declined. In the United Kingdom natural rubber consumption dropped by more than 15 percent. The tyre sector consumed 12 percent less, reflecting in part a 10 percent reduction in production of car tyre covers. In the non-tyre sector, the drop was closer to 20 percent. A major exception was the Federal Republic of Germany where consumption of natural rubber rose by 5 percent due to buoyant demand from the automobile industry and other sectors. Consumption in Japan also

TABLE 24 - NATURAL RUBBER: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION 1/			UTILIZATION 1/		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand metric tons . .)			(. . thousand metric tons . .)		
World total	3 445	3 605	3 715	3 463	3 710	3 725
Developing countries	3 424	3 592	3 688	885	1 037	1 127
Malaysia	1 532	1 613	1 607	31	37	39
Indonesia	842	835	900	35	35	40
Thailand	382	431	467	16	23	26
Sri Lanka	144	146	156	7	7	9
India	137	152	133	132	143	158
Africa	217	210	203	27	34	41
China	23	30	35	228	280	300
Developed countries	-	-	-	2 548	2 614	2 562
U.S.A.				697	804	765
Japan				300	320	355
Germany, F.R.				195	177	185
U.K.				169	172	139
E. Europe and U.S.S.R.				478	425	420

	EXPORTS 1/			VALUE OF EXPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand metric tons . .)			(. . million U.S. dollars . .)		
World total	3 065	3 208	3 245	2 028	2 600	2 800
Developing countries	3 061	3 201	3 221	2 028	2 600	2 800
Malaysia	1 512	1 610	1 565	1 076	1 374	1 552
Indonesia	798	800	863	452	590	670
Thailand	358	404	442	225	302	395

PROPORTION OF NATURAL RUBBER IN TOTAL ELASTOMER USE

	1974-76 average	1977	1978 (prelim.)
	(. . . . . percent . . . . .)		
World total	31.7	30.5	30.0
Developing countries	55.6	56.2	55.9
Developed countries	27.4	25.5	24.7
U.S.A.	24.8	24.4	23.9
Western Europe	33.8	31.7	31.1
E. Europe and U.S.S.R.	19.6	15.9	14.7

	CLOSING STOCKS			PRICES (RSS 1)		
	1976	1977	1978	1976	1977	1978
	(thousand tons)					
World total	1 625	1 520	1 510			
Producing countries	495	470	505			
Consuming countries	825	790	685			
London (£ per ton)				485	518	544
Kuala Lumpur (Mal. $ per ton)				1 991	2 028	2 300

1/ The discrepancies between the world total and the sums of the data shown for individual countries and groups of countries are due to allowances made for apparent discrepancies in the officially reported statistics. The estimated allowances are not, however, firm enough to enable them to be allocated by countries.

increased, by about 10 percent; utilization of natural rubber in the tyre industry rose by nearly 13 percent compared to a 6 percent increase for synthetic rubber. On the contrary, in eastern Europe and the U.S.S.R., despite a further increase in total elastomer consumption, utilization of natural rubber was lower, reflecting continued efforts to meet domestic market requirements from synthetic rubber produced within the region.

Developing countries accounted for about 30 percent of total natural rubber utilization. The trend to increased consumption reflected the development of rubber manufacturing in many small markets of Latin America, Africa and Asia, in addition to growth in a few larger consuming countries. Among the latter countries, rising requirements in India were not matched by growth of domestic production and imports were authorized to bridge the gap; utilization in China was also estimated to have risen along with industrialization.

Preliminary information indicates a further rise in world elastomer utilization in 1979, although the rate of growth appears to have fallen, particularly during the latter part of the year, reflecting reductions in consumption in many developed countries as a result of the economic slowdown. The proportion of natural rubber in total elastomer consumtpion remained about the same as the previous year. Rising prices of synthetic rubber following further increases in costs of chemical feedstocks led to some improvement in the competitive position of natural rubber, but supplies of the latter remained tight following the small rise in exports of the previous year. Moreover, despite a recovery in shipments during the first part of 1979, prices of natural rubber rose until mid-year, partly because of strong import demand in major markets.

Prices of natural rubber higher in 1979

The competitive position of natural rubber improved somewhat during the first quarter of 1979 following price reductions compared to the levels prevailing in the latter part of 1978. In addition, prices of synthetic rubber, which had risen sharply during 1978, were further increased in the first part of 1979. Quotations for SBR 1500 (the main competitor of natural rubber in general purpose markets) rose by more than 10 percent during early 1979, and further increases were expected following continued rises in raw material costs.

However, faced with strong import demand during the first half of the year, prices of natural rubber subsequently increased. Quotations for RSS1, spot, London, rose from an average of about £560 per metric ton in January to £644 in June 1979, and those for RSS1 natural rubber in Malaysia increased from 237 Malaysian cents/kg to 304 Malaysian cents during the same period. During the second half of the year, however, prices weakened but from mid-August remained steady around 280 Malaysian cents per kg. The average price for 1979 is estimated to be nearly 20 percent higher than that for 1978.

Market prospects uncertain in 1980

World demand for elastomers could increase further in 1980, but the rate of growth is likely to be the slowest since 1975, when consumption actually fell. During 1980 deteriorating general economic conditions, as well as reduced availability or higher costs of petroleum products, may be expected to have a depressing effect on the automobile industry, as well as on tyre replacement and other sectors utilizing rubber. While the competitive position of natural rubber may improve as a result of further increases in prices of synthetic rubber caused by rising costs of raw materials, the price outlook for natural rubber is uncertain in the short term. Despite the underlying situation of supply shortage which has led to stock reductions during the past three years, prices could weaken temporarily during 1980 as a result of increased availabilities coming on the market at a time when demand is curtailed.

Over the longer term, market prospects for natural rubber remain favourable. The extent to which producing countries may take advantage of this situation will depend on their success in expanding supplies. In Malaysia, the maturing of high-yielding areas planted during the present decade is expected to lead to a rise in output, even if the conversion out of rubber by plantations continues. Efforts are also being made to identify suitable areas for new plantings and to improve yields in the smallholders' sector, which accounts for more than half of total output. In Indonesia, measures to rehabilitate rubber plantations and improve smallholders' production, assisted since 1976 by the World Bank, are being intensified and

extended, and further increases in production are in prospect for 1980 and beyond. Increases are also expected in Thailand, where replanting has been considerable during the past decade, and in many African countries which have recently invested in both planting and replanting.

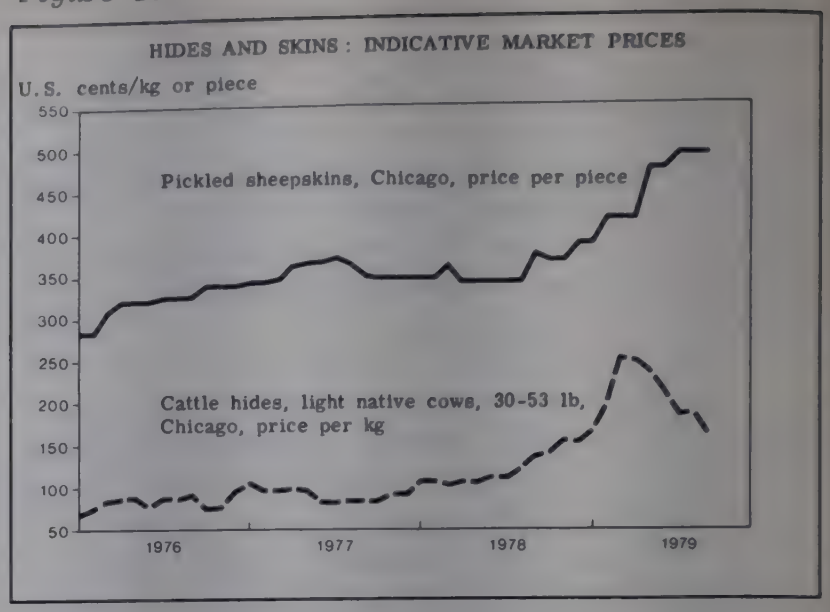
In October 1979, as a result of the successful conclusion of negotiations under the auspices of UNCTAD, the International Rubber Agreement was the first commodity accord reached under the Integrated Programme for Commodities. The Agreement aims at regulating trade in natural rubber through stabilizing prices and assuring supplies. Its main features include a buffer stock, comprising a normal stock of 400 000 tons and a contingency stock of 150 000 tons to be constituted in exceptional circumstances, to be used to maintain prices within an established range of 150-270 Malaysian cents per kg. The Agreement is due to come into force in October 1980 and will become fully effective when ratified by countries accounting for 80 percent of net world exports and imports.

HIDES AND SKINS

Highlights

The decline in output of bovine hides and skins accelerated during 1979, in line with the cyclical contraction of cattle numbers and slaughterings in major producer countries. By contrast, aggregate production of sheepskins and goatskins increased slightly in 1978 and this tendency seems to have continued in 1979. Fashion appeal and consumer preference for leather products continued to strengthen demand for hides and skins. Consequently, global import demand, except for sheepskins, resumed its growth in 1978 and the upward trend continued into 1979. Reduced supplies of the major types of hides, coupled with firm demand, forced prices upwards to reach all-time highs by mid-1979. Prices of sheepskins rose only moderately. With the trough of the cattle cycle passed and herd expansion starting in major producing areas, hide supplies will probably fall again in 1980. Only moderate increases are expected in global exportable supplies of sheepskins and possibly goatskins. Prices are unlikely to change drastically in 1980, unless demand weakens abruptly. However, quotations for the most common types of hides and skins may have already passed their peaks in 1979.

Figure 18



Production of cattlehides and calfskins continue to fall

World production of cattlehides and calfskins, which started to decline in the second half of 1977, continued to fall in 1978 and this trend accelerated during 1979. The reduction in output during the first months of 1979 was particularly steep in the United States and Oceania, where the cyclical downturn in cattle numbers was most marked. Production levels were maintained in the EEC and some eastern European countries and in the developing countries as a whole.

Global output of sheepskins, which remained stationary in 1977, increased moderately in 1978 and a further rise was in prospect for 1979. In Oceania, the largest sheepskin producing area, sheep and lamb slaughter will fall marginally in 1979 as sheep flocks are replenished. But this decline could be more than offset at the world level by increases of sheepskin production in the developing countries, and in South Africa where a prolonged and extensive drought led to forced slaughter of sheep and lamb. Growing flocks in the Far Eastern countries sustained the moderately upward trend in world goatskin production in 1978, and no major change was expected in 1979.

Growth in demand and trade of most hides and skins continues

Consumer preference for leather and leather products and fashion trends for leather garments kept world demand in 1978 and in the first half

of 1979 at high levels. In the traditional European markets, consumer demand was weakened in the second half of 1979 by high prices of leather and leather products, reflecting in part the increased raw material costs, and this led to a slackening of import demand for bovine hides and skins. Among the traditional importing countries only Italy raised its imports of cattle hides in 1978, surpassing Japan as the world's largest buyer. Developing countries, on the other hand, with cost advantages in their processing and leather manufacturing industries, raised their imports of raw hides substantially in 1978 and in the first half of 1979. World imports of goatskins also increased in 1978 with good demand for high-priced luxury leathers, but imports of sheepskins fell.

TABLE 25 - VALUE OF EXPORTS OF ROUGH-TANNED AND FINISHED LEATHER AND LEATHER MANUFACTURES FROM SELECTED DEVELOPING COUNTRIES

	1974-76 average	1977	1978 (prelim.)
	(million U.S. dollars)		
Rough-tanned and finished leather			
Far East			
India	209.3	240.0	290.0
Pakistan 1/	46.3	65.2	42.3
Africa			
Kenya	2.0	4.4	2.7
Nigeria	11.1	13.5	14.0
Latin America			
Argentina	93.1	190.1	253.2
Brazil	43.7	76.4	80.0
Total above	405.5	589.6	582.2
Leather footwear and other leather manufactures			
Far East			
Hong Kong	87.2	114.7	148.0
India	29.9	34.5	44.0
Korea, Rep. of	192.3	376.1	526.2
Pakistan 1/	12.8	13.4	21.9
Africa			
Kenya	0.5	0.5	0.4
Latin America			
Argentina	48.5	50.0	50.0
Brazil	163.4	185.2	257.2
Total above	534.6	774.4	1 047.7

1/ Split year ending 30 June of year shown.

Despite a reduction in raw hide production, the volume of world exports of cattlehides and calfskins rose by 16 percent in 1978. The United States maintained its position as the largest supplier of raw hides at the expense of considerably reduced activities in their domestic tanning industry. While world exports of sheepskins were smaller in 1978, trade in goatskins increased as they offered good possibilities of substitution for calf skins which were in very short supply.

Prices reach new records in 1979

The combined effect of reduced supplies and strong demand for cattle hides and calf skins led to rapid price increases throughout 1978, and all-time peaks were reached by mid 1979. While receding from these levels, prices remained extremely volatile during the rest of 1979. With supply and demand largely balanced in 1978, there were no major changes in sheepskin prices.

Following the pattern of previous years, foreign exchange earnings from raw hides and skins increased much faster for developed than for developing countries as only a few developing countries still export their products in raw form. By contrast, export earnings of developing countries from processed and manufactured hides and skins rose by more than one third in 1978 to over U.S.$1 000 million. Preliminary data suggests that high prices of leather and leather goods in the world market will result in new record earnings from their exports in 1979. Although prices of hides increased faster than those of competing synthetics, substitution was confined to minor end-uses in major markets of North America and western Europe, as wear properties of leather footwear and the fashion appeal of leather garments remained unmatched.

Short-term outlook is for further contraction in production

Reflecting cyclical reductions in cattle slaughter in major producing countries, world output of cattle hides and calfskins is likely to fall further in 1980. In fact, hide production in North America is not expected to rise again before 1982. Slaughterings continued high during the first months of 1979 in Argentina but started to decline during the second half of 1979. Production in other developing countries is expected to remain at

TABLE 26 - HIDES AND SKINS, PRODUCTION AND TRADE

	PRODUCTION			IMPORTS 1/		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . . million pieces . . .)			(. . . thousand tons . . .)		
World total						
Cattlehides/calfskins	272.9	285.0	284.9	1 395.2	1 515.8	1 554.5
Sheepskins	388.5	389.3	393.1	175.0	173.6	168.9
Goatskins	163.4	169.4	172.0	27.9	25.4	30.6
Developing countries						
Cattlehides/calfskins	122.3	129.9	132.9	222.8	279.6	308.8
Sheepskins	179.7	188.0	192.1	2.9	3.8	4.0
Goatskins	149.7	155.2	157.8	1.0	1.2	1.1
Developed countries						
Cattlehides/calfskins	150.6	155.1	152.0	1 172.4	1 236.2	1 245.7
Sheepskins	208.8	201.3	201.0	172.1	169.8	164.9
Goatskins	13.7	14.2	14.2	26.9	24.2	29.5

	EXPORTS 1/			VALUE OF EXPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand tons . .)			(.. million U.S. dollars ..)		
World total						
Cattlehides/calfskins	1 421.4	1 539.8	1 613.1	1 001.9	1 487.4	1 788.2
Sheepskins	141.2	145.4	142.3	368.4	442.3	457.9
Goatskins	32.4	27.4	30.3	97.5	101.1	119.7
Developing countries						
Cattlehides/calfskins	109.2	107.2	109.4	72.0	88.9	104.1
Sheepskins	33.6	35.3	35.1	89.3	100.0	110.0
Goatskins	26.2	23.9	25.5	70.1	88.0	100.0
Developed countries						
Cattlehides/calfskins	1 312.2	1 432.6	1 503.7	929.9	1 398.5	1 684.1
Sheepskins	107.6	110.1	107.2	279.1	342.3	347.9
Goatskins	6.2	3.5	4.8	27.4	13.1	19.7

	PRICES		
	1976	1977	1978
	(. . U.S. cents per kg . .)		
Cattlehides 2/	82.5	89.8	120.3
Calfskins 3/	149.4	192.4	292.1
Sheepskins 4/	38.3	42.5	42.6

1/ Cattlehides and calfskins: wet salted basis except for a few countries where the type of curing was not stated. Sheepskins: for major exporting and importing countries - dry, dewooled equivalent, for other countries where the wool content could not be established - product weight. Goatskins: chiefly dry basis.
2/ Packer hides, light native cows 30-53 lb., Chicago.
3/ Packer Northern skins 9.5 - 15 lb., Chicago.
4/ Pickled sheepskins, Chicago: expressed in U.S. dollars per dozen.

the 1979 level. By contrast, poor pasture conditions in the U.S.S.R. and large livestock inventories in eastern European countries in relation to feed supplies may result in more extensive slaughterings during 1980, but this will hardly compensate for the drop expected elsewhere.

World production of sheep and lambskins will rise marginally in 1979, with little further change in 1980. Flock replenishment has started in Australia after three seasons of drought; therefore a reduction in slaughterings and skins output is expected. By contrast, output of sheepskins will be higher in New Zealand and may also rise in Europe, the U.S.S.R. and in the Near East where the demand for mutton is steadily rising.

Slower growth in import demand; continuing tight supplies in 1980

The demand for leather goods has been well maintained in recent years. There are few indications that consumers and manufactures were prepared to shift away from leather in footwear, the major end-use, in spite of rising retail prices and raw material costs. The eastern European countries and the U.S.S.R. could be major exceptions, but little is known about their manufacturing policies. More emphasis on their use of sophisticated synthetic materials could, however, reduce world import demand significantly as these countries are major net importers of hides and skins. More generally, synthetic substitutes are likely to gain in end-uses where use value is the over-riding consideration. Demand for leather goods could also be adversely affected in a number of countries by consumer resistance to further price increases which may follow the high prices of hides and skins at which tanners had to stock in 1979. World import demand could, moreover, be lower due to reduced requirements of main Far Eastern importing countries, where substantial stock accumulation occurred in 1979.

On balance, the growth of world import demand for hides and skins could level off in 1979/80. At the same time, the expected fall in world production will result in continuing tight supplies of exports, notwithstanding the lifting of the export ban on raw hides in Argentina. Thus, there could be a closer balance between import demand and export supplies in 1980, with possibly no substantial changes from current price levels. However, this balance may prove volatile and a temporary change in demand could have a strong destabilizing effect on prices.

RECENT FAO COMMODITY REPORTS ON AGRICULTURAL RAW MATERIALS

FAO. Cotton: Supply, Demand and Trade Projections 1985. Rome, February 1979.

FAO. Intergovernmental Group on Jute, Kenaf and Allied Fibres. Competitive Price Levels for Jute. Rome, August 1979 (Document CCP: JU 79/4)

FAO. Intergovernmental Group on Hard Fibres. Informal Indicative Price Arrangement for Abaca: Performance During 1978 and First Quarter of 1979. Rome, April 1979 (Document CCP:HF 79/5)

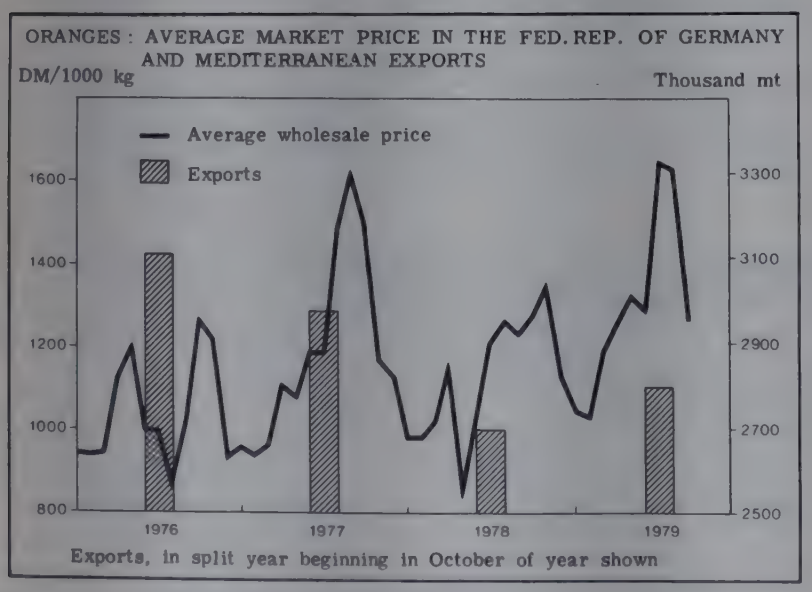
OTHER AGRICULTURAL COMMODITIES

CITRUS FRUIT

Highlights

The world citrus economy was beset with many difficulties in 1978/79. Due to bad weather, production and trade of citrus fruit declined. Several countries suffered heavy losses of fruit due to frost damage. In many cases, the quality and storability of the fruit was adversely affected. In import markets, especially in Europe, distribution was disrupted by unusually cold weather and partly by transport strikes. As a result of reduced supplies, citrus prices were generally higher than during the previous season. Early prospects for 1979/80 production point to a recovery in output of oranges, tangerines and grapefruit in the northern hemisphere, and more fruit will be available for export than in the previous season. Despite the larger supplies, prices could average higher provided the fruit offered can meet the quality requirements of the consumers. Trade in citrus products was at record levels in 1978 and remained high in 1979. However, for the coming year, price and trade prospects are uncertain because of a possible further substantial increase in export availabilities of orange concentrate in Brazil and weak import demand in major markets.

Figure 19



Output reduced in 1978/79

As a result of unfavourable weather during the growing period and losses due to frost damage in some countries, world citrus output in 1978/79 declined by 1.7 million tons, or 4 percent, from the 49 million tons harvested in the previous year. The fall was shared by all kinds of citrus fruit.

Total winter citrus production in the United States declined by almost 5 percent because of frost damage. In other areas in the northern hemisphere, the total reduction was 3 percent. The largest relative fall, 8 percent, occurred in output of lemons, where all major producers harvested substantially reduced crops. Production of satsuma (mikan) oranges in Japan was also lower, reflecting some acreage diversion and low temperatures during maturation of the fruit. On the contrary, tangerine and grapefruit production in the Mediterranean area showed slight increases.

The 1979 summer crop of citrus in the southern hemisphere for marketing in the period from May to November was also reduced, mainly due to a somewhat smaller orange and mandarin crop in Brazil. Production of Valencia Late oranges in the United States, which are marketed during June-September, was sharply down in 1979 but output in other countries, notably South Africa and Australia, remained rather close to that of the previous year. Lemon and grapefruit production in the southern hemisphere in 1979 showed little variation from the levels of 1978.

Some recovery in output in prospect in 1979/80

Production prospects for the 1979/80 citrus season point to some recovery in output at least in the orange, tangerine and grapefruit crops in the northern hemisphere. The first estimate in the United States indicated a record winter orange crop of over 9 million tons, 5 percent above the previous record in 1976/77. Japan's satsuma (mikan) orange crop is expected to recover sharply and output is currently estimated at 3.6 million tons, the second highest tonnage ever harvested.

In the Mediterranean area some increase in orange production is in prospect in Italy and Spain but crops will be reduced in Morocco, Tunisia, Israel and especially Greece. On balance, 1979/80 orange production in the region is forecast marginally larger than the below average crop of the previous year. Output of mandarins, clementines and similar types will show a decline, reflecting lower production and smaller fruit sizes in Spain. Morocco's clementine crop will be somewhat larger and earlier and also fruit sizes are larger in comparison to last year.

Small increases are in prospect for lemon output in almost all Mediterranean countries but another fall is forecast for the United States' crop. Total lemon output in the northern hemisphere in 1979/80 may therefore not exceed the volume of the previous season. Output of grapefruit in the northern hemisphere is likely to increase. Production in the United States may fall slightly, but Israel expects an increase of over 10 percent with production for the first time exceeding half a million tons. Substantial increases in output are likely also elsewhere, notably in Central America and Cuba.

International trade in fresh citrus fruit lower in 1978/79

The volume of international trade in fresh citrus fruit, which had remained unchanged in 1977/78 at the record level reached in 1976/77, declined by 4 percent in 1978/79. There was a reduction in shipments of oranges and tangerines. Exports of grapefruit were greater, while trade in lemons remained virtually the same as in 1977/78.

Exports of oranges fell in almost all major countries. A further decrease in United States' exports reflected smaller supplies and higher prices and affected mainly sales to Canada and Europe, while shipments to Japan increased considerably partly because of the increased import quota. Amongst the Mediterranean exporters, Italy, Spain, Tunisia and Greece all registered considerable reductions in export volume, but the largest drop occurred in Morocco due to a sharp reduction in output. Generally unfavourable weather delayed the maturing of the orange crops, while a large proportion of small-sized fruit adversely influenced the quality and storability of the fruit. The same applied to clementines, satsumas and mandarins, although the total volume shipped of these kinds from the Mediterranean countries did not show much variation. The only exception was Israel; favoured by good weather and early maturing of the crop, Israel increased its fresh citrus shipments by almost 9 percent. During the summer of 1979, world exports of oranges and tangerines probably increased slightly because of the continued high volume from South Africa and some increases from South American sources.

The volume of world trade in lemons in 1978/79 was maintained at the record level of the previous year. Increased exports from the United States, Italy, Israel and Turkey offset the sharp fall in shipments from Greece caused by the severe frost damage in early 1979 and a minor decline in those from Spain. The volume of world trade in grapefruit increased further in 1978/79, by about 7 percent. This reflected larger shipments by the United States, Israel, Turkey and Cyprus, while there were probably increases also in exports from Mexico, Honduras and Cuba. No major changes were indicated for shipments from southern hemisphere exporters.

Citrus prices generally up in 1978/79

Price movements on European import markets reflected the size and condition of supplies as well as the adverse effects of such factors as the prolonged period of extremely low temperatures in northern Europe and of transport strikes. Orange and tangerine prices opened at levels similar to those of a year earlier. Following some declines, prices rose significantly later in the season in response to smaller supplies. Prices for Valencia Late oranges from Morocco and Israel benefited in particular from this situation. Lemon prices were substantially above, and grapefruit prices remained close to, those of 1977/78. In the United States, prices of all types of citrus were substantially higher than in 1977/78 for both fresh market and processing use. Prices of lemons and grapefruit benefited also from the good export demand, especially from Japan. Prices for mikan oranges in Japan remained stable, while those of imported citrus declined, reflecting larger supplies. Export prices during 1979 for South African fruit were generally higher than those obtained a year earlier.

International trade volume likely to recover in 1979/80

International trade in fresh citrus fruit in the 1979/80 winter marketing period is likely to regain some of the loss in volume suffered during the previous season. Forecasts by Mediterranean countries in early October 1979 placed the area's export availabilities of all citrus fruit 2.4 percent larger than the volume realized in 1978/79. The largest relative increase was indicated for grapefruit, where Israel hoped to make a substantial advance (10 percent). Increased lemon supplies were expected in Greece, Turkey and Israel, while the leading exporters Italy and Spain, did not expect major changes. Oranges, mandarins and clementines were expected to be available in moderately larger quantities, as curtailed supplies of oranges in Greece and Israel and of clementines and satsumas in Spain, were likely to be more than offset by increases elsewhere. Prices could average higher in view of generally good development and sizing of the fruit in most countries, although in Spain the proportion

TABLE 27 - CITRUS FRUIT: PRODUCTION 1/ AND PRICES

PRODUCTION

	ALL CITRUS			ORANGES			TANGERINES		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand tons . .)			(. . thousand tons . .)			(. . thousand tons . .)		
World total	47 196	49 120	47 358	31 716	32 806	31 909	7 069	7 551	7 160
Developing countries	20 459	22 883	22 271	15 438	17 674	17 161	1 938	2 106	2 036
Developed countries	26 737	26 237	25 087	16 278	15 132	14 749	5 131	5 445	5 124
Northern hemisphere	35 794	35 300	34 259	22 164	20 810	20 545	6 322	6 827	6 516
United States	12 582	12 047	11 494	8 548	7 797	7 648	620	613	556
Mediterranean reg.	11 893	12 214	12 023	7 976	7 891	7 772	1 663	1 942	1 988
Others	11 319	11 039	10 472	5 640	5 122	5 125	4 039	4 272	3 972
Southern hemisphere	11 403	13 802	13 099	9 553	11 996	11 364	747	724	644

	LEMONS AND LIMES			GRAPEFRUIT		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . thousand tons . .)			(. . thousand tons . .)		
World total	4 480	4 649	4 314	3 931	4 114	3 975
Developing countries	2 266	2 298	2 271	817	805	803
Developed countries	2 214	2 351	2 042	3 114	3 309	3 172
Northern hemisphere	3 828	3 991	3 666	3 480	3 672	3 532
United States	878	916	732	2 536	2 721	2 558
Mediterranean reg.	1 671	1 777	1 644	583	604	619
Others	1 279	1 298	1 290	361	347	355
Southern hemisphere	652	658	648	451	442	443

PRICES

		1976	1977	1978 (prelim.)
		(national currencies/kg)		
Oranges				
FRANCE :				
Moroccan, average price, f.o.r.	Fr.francs	1.75	1.86	2.38
UNITED KINGDOM :				
Israeli, wholesale, major markets	New pence	22.3	22.4	27.3
GERMANY, F.R. :				
Spanish navels, wholesale (selling), major markets	DM	0.94	1.10	1.18
Spanish clementines, wholesale (selling), major markets	DM	1.74	2.05	2.00
UNITED STATES :				
Californian navels, New York	U.S. cents	41.9	56.1	...
JAPAN :				
Mikan, wholesale, major markets	Yen	115	129	126
Lemons				
UNITED STATES :				
Californian, wholesale, New York	U.S. cents	36.9	39.0	50.0
GERMANY, F.R. :				
Italian, wholesale (selling), major markets	DM	1.00	1.24	1.53
JAPAN :				
Average wholesale, major markets	Yen	191	183	166
Grapefruit				
UNITED STATES :				
Florida, Marsh seedless, wholesale, New York	U.S. cents	23.0	27.0	25.9
GERMANY, F.R. :				
Israeli, wholesale (selling), major markets	DM	0.83	0.93	0.94
UNITED KINGDOM :				
South African, wholesale, major markets	New pence	20.9	27.9	26.5

1/ Production data refer to crop years starting in year shown.

TABLE 28 - CITRUS FRUIT: INTERNATIONAL TRADE 1/

	EXPORTS			IMPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . .	thousand tons	. . .)	(. . .	thousand tons	. . .)
ALL CITRUS						
World total	6 546	6 892	6 606	6 518	6 447	...
Developing countries	1 911	2 254	2 072	752	767	...
Developed countries	4 635	4 638	4 534	5 766	5 680	...
ORANGES AND TANGERINES						
World total	4 943	5 159	4 815	4 893	4 748	...
Northern hemisphere	4 540	4 697	4 343	4 861	4 727	...
North America	454	351	320	304	326	...
Western Europe, excluding Mediterranean region	-	-	-	2 254	2 288	...
Mediterranean region	3 678	3 833	3 545	969	1 038	...
Others	408	513	478	1 134	1 075	...
Southern hemisphere	404	462	473	29	22	...
LEMONS AND LIMES						
World total	855	940	944	869	891	...
United States	212	206	225	4	-	...
Western Europe, excluding Mediterranean region	-	-	-	261	274	...
Mediterranean region	599	667	644	120	128	...
of which, Italy	244	179	212	-	-	-
Others	44	67	75	484	489	...
GRAPEFRUIT						
World total	748	793	847	755	808	...
North America	262	265	275	92	97	...
United States	262	265	275	8	4	...
Canada	-	-	-	84	93	...
Western Europe, excluding Mediterranean region	-	-	-	322	372	...
Mediterranean region	316	333	353	150	155	...
of which, Israel	254	251	256	-	-	..
Others	170	195	219	191	184	...

1/ For trade, year ending in September of year shown

of smaller sized fruit may again be above average. In view of the ample supplies and a likely easing in domestic prices, increased pressure to export may be expected in the United States during the coming winter and spring marketing period

Citrus processing lower in 1978/79

World processing of citrus fruit decreased in 1978/79. In the United States, the volume of oranges processed is estimated only moderately greater than the reduced level of the previous season, while in Brazil, production of frozen orange concentrate during 1979 is estimated to have fallen somewhat from the record 1979 level of 400 000 tons because of reduced production of fresh fruit. In the Mediterranean region the volume of processing of all types of citrus fruit remained stable. Some reduction took place in orange processing in Spain, but this was more than offset by a sharp rise in Italy where EEC aid to processing was further extended. In Japan, the quantity of satsuma (mikan) oranges processed into juice and canned sections declined mainly as a result of smaller availabilities of fresh fruit.

World trade in citrus products was a record in 1978. Trade in frozen orange concentrate, the main item in international trade, increased sharply. Shipments from Brazil, the leading supplier, rose from 214 000 metric tons, product weight, in 1977 to 336 000 tons in 1978. The United States was the largest single outlet, taking 44 percent of the total, compared with 22 percent the previous year, and a much smaller proportion in earlier periods. The reason for this advance was the reduced level of out-turn in Florida following the 1977 freeze. Exports of frozen orange concentrate from the United States also rose considerably, with increases in shipments mainly to Canada.

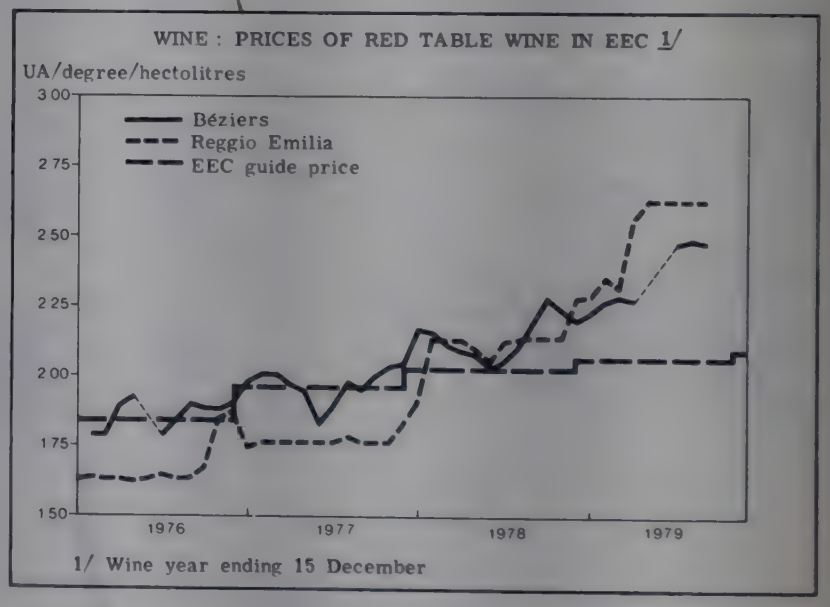
Indications are that trade in concentrated orange juice remained at a high level in 1979 reflecting continued large shipments from Brazil and strong import demand in the United States. During the first half of the year, prices averaged U.S.$970 per metric ton, f.o.b. Santos, compared to an annual average of U.S.$991 in 1978. However, in the latter part of 1979, prices tended to weaken following a slackening in import demand. A larger stock carryover in the United States and expectations of a larger Florida orange crop in 1979/80 were in part responsible. For 1980, a substantial increase in availabilities of orange concentrate in Brazil seems possible, considering the strong growth in both production and processing capacity. This could result in severe marketing difficulties, particularly as demand for orange concentrate in major markets of western Europe could also weaken as a result of less favourable general economic conditions.

WINE

Highlights

The prospective size of the 1979/80 vintages suggests that the world wine market situation could change considerably in the coming season, moving from a position of reduced availabilities and firm prices to one of surplus. During the first part of 1979 prices advanced further in most large producing countries following a second year of short crops in 1978/79. Consumption of wine remained at high levels in both traditional and new markets, and import demand continued strong in most major importing countries. However, by early autumn 1979 reports indicated that very large vintages were likely in most major producing countries. Therefore, despite reduced stocks, prices tended to weaken in anticipation of possible marketing difficulties.

Figure 20



Production increases sharply in 1979/80

World wine production in 1979/80 is likely to be substantially greater than the previous year when output amounted to 298 million hectolitres, only about 5.5 percent greater than the very low out-turn of the 1977/78 season. Production in 1978/79 was below average in most of western Europe because of unusually cool rainy weather,

and in the U.S.S.R. where production was the lowest since 1973/74 because of bad weather and disease in certain areas. In North America, production continued its upward trend. In the developing countries, production remained at low levels in North Africa but in Latin America a substantial rise took place.

As a result of continuing favourable weather throughout the summer and early autumn of 1979, forecasts of 1979/80 crops were progressively revised upwards. By October 1979 output was expected to be above average in France (73 million hectolitres), Italy (75 million hectolitres) and near record in Spain (40 million hectolitres). Larger output was indicated also in the Federal Republic of Germany and Portugal. In the United States early season forecasts indicated a further rise in grape production to record levels. Wine grape varieties in California continued their upward trend.

It is too early for indications of the southern hemisphere developing countries' crops to be harvested in the first months of 1980. However, in Argentina, the main producing country of the group, the trend in output is upwards, while in a number of other Latin American countries efforts are being made to expand production. In North Africa, on the contrary, wine production is likely to remain at the reduced levels of recent years. In Algeria, the largest supplying country of the area, productive capacity is about one third that of the early seventies reflecting uprooting and the shift to other crops having more favourable market prospects as well as reconversion to quality wine production.

Exports recover in 1979 following drop in 1978

In 1978 world exports of wine amounted to 42 million hectolitres, valued at about U.S.$3 500 million. This was a 1 million hectolitre reduction compared to 1977, which mainly reflected smaller exports from countries where disappointing 1977/78 vintages resulted in reduced export availabilities and high prices. The largest drop took place in Spain, from 5.5 million hectolitres in 1977 to 3.7 million hectolitres in 1978. Among other major suppliers, Italy's exports advanced to a near record figure, while France's shipments remained at high levels. Among the developing countries, Argentina achieved another substantial increase in exports, while those from North Africa continued their downward trend.

On the basis of partial information regarding shipments from major exporting countries and considering possible developments in import demand in major markets, it appears that world wine trade in 1979 will surpass the 1978 figure. The value of trade is also expected to be greater because of the higher prices at which most types of wine are being traded. During the first half of the year shipments from France were running 6 percent above the comparable 1978 figure and a similar increase was registered in Spain. But the recovery in volume in the latter might be greater should export refunds be established to permit exports to the U.S.S.R. However, the main advance has taken place in Italy where during the first seven months of 1979 shipments were more than 50 percent greater than in the comparable 1978 period. Shipments from Italy are thus likely to be at record levels, although in the latter part of the year exports may slacken because of changed supply conditions in importing countries.

Imports into major markets remain high in 1979

The wine market in 1978 was characterized by strong demand in such large importing countries as the Federal Republic of Germany and also France where 1977/78 production was substantially below that of a normal crop year, and by continued growth in a number of non-traditional markets, particularly the United States where imports rose by nearly 40 percent. However, because of high prices imports into the U.S.S.R. dropped to the lowest figure since 1968.

Partial data for 1979 indicate that imports in major western European markets will remain at high levels. In France, purchases during the first seven months of the year were running about 30 percent above the comparable 1978 level because of reduced availabilities following the small output in 1978/79 which was again below average. Imports into the Federal Republic of Germany were slightly greater than the previous year. Import demand in non-traditional markets, such as the United States, the United Kingdom and Canada, remained strong. A major area of uncertainty regarding the level of world trade in 1979 relates to the volume of purchases by the U.S.S.R., usually the world's third largest importing country. Following the particularly low 1978/79 crop and the relatively small imports of 1978, import requirements of that country in 1979 were substantially greater. However, the extent to which these were met would depend on the availability of relatively low priced common wines, which until mid 1979 were generally not available, except in Spain and in certain developing countries.

TABLE 29 - WINE: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION			IMPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978 (prelim.)
	(....million hectolitres ....)			(....million hectolitres ....)		
World total	319.1	281.5	298.2	42.4	42.8	43.4
Developing countries	41.2	36.9	43.0	2.3	2.7	2.7
Argentina	23.7	20.3	25.9	-	-	-
Chile	5.0	6.6	7.0	-	-	-
Algeria	4.8	2.5	2.5	-	-	-
Developed countries	277.9	244.6	255.2	40.0	40.1	40.7
EEC	150.8	126.1	137.4	22.2	23.1	23.8
France	71.5	52.3	58.2	7.5	6.5	7.6
Germany, Fed. Rep.	8.3	9.6	6.7	7.4	8.4	8.0
Italy	70.9	64.1	68.0	0.3	0.2	0.2
United Kingdom	-	-	-	3.4	3.7	3.6
Others	-	-	-	3.7	4.2	4.4
Portugal	10.8	6.9	5.6	-	-	-
Spain	31.0	21.8	29.0	-	-	-
United States	14.4	15.0	15.5	2.0	2.5	3.5
Eastern Europe and U.S.S.R.	47.1	50.1	42.1	10.7	9.6	8.5
U.S.S.R.	29.3	30.7	24.6	8.0	6.5	5.9

	EXPORTS			VALUE OF EXPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(....million hectolitres ....)			(... million U.S. dollars ...)		
World total	42.5	43.1	41.7	2 244	2 755	3 501
Developing countries	7.1	6.0	5.4	163	146	178
Algeria	4.9	4.1	3.5	111	86	105
Developed countries	35.4	37.2	36.3	2 081	2 609	3 323
France	6.7	8.3	7.7	717	1 006	1 363
Italy	13.0	12.0	13.6	438	505	675
Portugal	1.9	1.7	1.2	133	132	148
Spain	5.3	5.5	3.7	229	244	258
Eastern Europe and U.S.S.R.	5.2	5.8	5.6	315	378	422

PRICES

		1976	1977	1978
		(. . national currencies . .)		
France:	Red table wine, 10 degrees, farm gate, Bēziers (Fr. francs/degree hectolitre)	10.12	10.98	12.42
Italy:	Red table wine, Asti, rosso (Lire/hectolitre)	15 775	20 625	26 280
Spain:	White common wine (Pesetas/hectograd o)	95.49	149.72	139.82

Prices weaken in late 1979

Prices of wine in major markets weakened in the latter part of 1979 following reports of very large 1979/80 crops. In the EEC assistance was extended in October for short term storage of red and white table wines because market prices fell below the trigger level, and preventive distillation was also authorized. In Spain, quotations continued to weaken throughout the summer, and in the autumn stabilized at the guaranteed minimum price which is to be defended by purchases by the intervention agency.

Market outlook uncertain for 1980

Despite the reduction in stocks which has taken place in most large producing countries, including those of table wines in the EEC, substantially increased output will exert downward pressure on prices. Such developments will affect mainly common table wines for which the balance between production and market requirements, at remunerative growers' prices, remains precarious.

Import demand in 1980 will depend on the volume and quality of the forthcoming domestic vintages, as well as on price developments in major suppliers. Import requirements in France and possibly also the Federal Republic of Germany are likely to be lower. In non-traditional markets the growth of import demand may slacken from recent rapid rates, because of greater output and increased stocks in those countries, such as the United States, which are also substantial producers, and possibly because of slower growth in disposable income. Purchases by the U.S.S.R. may also be limited because of higher priorities accorded to other imports. However, even if large purchases are made by this country, these tend to be at prices which fall short of production costs in most exporting countries. Thus, prospects for wine prices and trade in 1980 are not favourable, and considerable government market intervention may be required to maintain returns to growers.

TOBACCO

Highlights

World tobacco production in 1979 was only slightly less than the high volume obtained in the previous year. Smaller crops in developed countries were almost entirely offset by a further rise in developing countries. Preliminary data indicate that world tobacco trade remained at high levels in 1979. However, some reduction in imports took place in the European Economic Community, which accounts for about 40 percent of world leaf imports, following the very substantial stock replenishment of 1978. The upward movement in prices of raw tobacco appears to have halted in 1979 following a second year of large output. In 1980, world production and demand for tobacco are likely to increase in line with longer term trends.

Production in 1979 approaches high 1978 volume

With larger crops in both developing and developed countries, world tobacco production in 1978 amounted to 5.5 million tons, only slightly less than the 1976 record. There was a substantial rise in the Near East, and production continued its upward trend in Latin America. In the Far East, production was slightly lower, but output advanced further in many producing countries in Africa. Among developed countries, production rose in North America, by 6 percent, and in western Europe, by 4 percent. Japan's output was slightly lower, while larger reductions took place in the U.S.S.R. and eastern Europe.

In 1979,world tobacco production was only slightly lower than in 1978 as smaller crops in developed countries were nearly offset by further increases in developing countries. The main reduction took place in the United States where production fell by about 15 percent to 781 000 metric tons. Most of the decline was in production of flue-cured leaf as a result of lower yields and a 10 percent reduction in effective production quotas. Production remained near 1978 levels in western Europe, but in Japan output was again lower reflecting reduced acreage allotments. Preliminary reports indicate a substantial recovery in U.S.S.R. production, while in eastern Europe output dropped considerably in Bulgaria because of bad weather. In contrast, the upward trend in output was maintained in developing countries. Because of favourable returns to growers, further advances took place in Latin America, particularly in Brazil and also Argentina where, however, the production recovery fell short of expectations. Output was greater in the Far East because of another large crop in India and increases in many other countries including the Republic of Korea, Indonesia, Burma and the Philippines where growers' prices were favourable and policies to expand production continued to be implemented. In Africa, further increases were mainly in East Africa as a result of larger crops in Malawi and Tanzania where the

trend in output is upwards. Production fell only in the Near East, reflecting the smaller crop in Turkey.

High trade volume continues

The recent downtrend in world tobacco leaf trade was reversed in 1978. Total exports rose by 7 percent to 1.37 million tons, nearly the same as the 1974 record due to larger shipments from developed countries. North American exports rose sharply because of record shipments from the United States and a reversal of the downtrend in those from Canada. The EEC absorbed nearly all of the increase in United States exports, but shipments from EEC countries also expanded considerably. This was mostly because of a very substantial increase in re-exports of United States' tobacco from the United Kingdom to other Community countries, particularly the Federal Republic of Germany. Exports from Greece and Yugoslavia also advanced. Eastern European shipments of unmanufactured tobacco decreased. The share of developing countries in world tobacco exports dropped in 1978. Larger shipments from Latin America and the Near East, principally Turkey, were offset by reductions in the Far East and in Africa, mainly because of an apparent drop in supplies from Rhodesia.

World tobacco exports remained at high levels in 1979, though falling short of the 1978 figure as reductions in shipments from developed countries were not fully offset by increases from the developing countries. Shipments were lower particularly from North America as most purchasers of United States leaf had replenished their stocks the previous year with superior quality leaf from the 1978 crop, taking advantage of relatively favourable currency exchange rates. During the first half of 1979,United States exports were 17 percent less than in the comparable 1978 period. Among the developing countries, a further increase in shipments took place in the Near East, reflecting developments in Turkey where continued efforts were made to dispose of surpluses, Latin America and Africa.

Following the substantial replenishment of stocks in major markets in 1978, imports were smaller in 1979. The European Economic Community's imports rose by 20 percent in 1978 to 637 000 tons. Imports of most other European countries and Japan remained at high levels, while a further increase took place in North America reflecting recovery in purchases of oriental leaf and competitive prices of imports of scrap used in the manufacture of tobacco sheet. During the first part of 1979, imports into the EEC were about 5 percent below the comparable 1978 period, while those into Japan were also lower because of the existence of heavy stocks of imported leaf. On the other hand, there was a further increase in the United States' imports during the first half of the year, amounting to more than 10 percent, due to a substantial rise in leaf scrap purchases.

Lower prices of light cigarette leaf

The rapid increases in prices of tobacco of recent years were halted in 1979 following a second year of large crops and weaker demand in developed countries. In the United States, the 1979 average auction price of flue-cured leaf rose by only about 3 percent over the record U.S.$2.98 per kg the previous year, while production costs were estimated to have increased by an average of 7 percent because of rising prices of fuel, labour, equipment and pesticides. Moreover, cash receipts by growers declined because of the smaller volume of sales. Prices of light cigarette leaf at auctions in East Africa actually declined in 1979. In Malawi, prices of flue-cured leaf dropped by nearly 10 percent while those for burley were down by 5 percent. In Latin America, average prices received by Brazilian growers for flue-cured leaf in 1979 increased, but at a much slower rate than the rise in the general price level. Similar developments took place also in certain Far Eastern producing countries. However, despite the reductions in real returns which took place, earnings from tobacco per unit of area generally continued to be considerably greater than those of the next most remunerative crops, particularly in developing countries.

Consumption growth slackens in developing countries

The recent trend to slower growth of tobacco consumption in developed countries continued in 1978. Rising prices and taxes, continued anti-smoking campaigns and, in certain countries, leaf-saving technology in the manufacture of tobacco products, have been responsible for the reduced growth of consumption. In the United States, total consumption of tobacco dropped by 3 percent in 1978. Actual numbers of cigarettes smoked were lower and a further reduction took place in leaf content of the product. Total EEC utilization remained about the same as the previous years as increases in Italy, the Federal Republic of Germany and, particularly, the United Kingdom were offset by reductions in other countries of the Community. Despite a further slight decline in the number of pieces

TABLE 30 - TOBACCO: PRODUCTION, UTILIZATION AND TRADE

	PRODUCTION 1/			IMPORTS 2/		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(...thousand metric tons...)			(...thousand metric tons...)		
World total	5 432	5 452	5 506	1 296	1 268	1 404
Developing countries	3 125	3 259	3 303	190	205	198
Latin America	652	657	681	19	18	16
Africa	218	235	214	49	51	43
Near East	287	290	346	40	45	45
Far East	914	1 022	1 004	64	72	68
Asian CPE	1 055	1 055	1 057	16	17	24
Developed countries	2 307	2 193	2 203	1 106	1 063	1 206
North America	1 057	972	1 033	167	142	173
Western Europe	383	380	394	677	676	783
EEC	170	164	170	527	531	635
Eastern Europe and U.S.S.R.	652	610	546	139	134	135
Other developed	215	232	230	123	111	116
World total, by type:						
Flue-cured, burley and other light leaf	3 148	3 213	3 182			
Oriental leaf	938	902	1 005			
Dark leaf	1 346	1 337	1 319			

	EXPORTS 2/			VALUE OF EXPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(...thousand metric tons...)			(...million U.S. dollars...)		
World total	1 299	1 276	1 370	2 643	3 047	3 809
Developing countries	704	704	700	1 106	1 286	1 489
Developed countries	595	572	670	1 537	1 761	2 320

	STOCKS 3/			PRICES		
	1976	1977	1978	1976	1977	1978
	(thousand tons)			(U.S. cents/kg)		
United States						
Domestic flue-cured	861	937	928	244	259	298
Other domestic	703	751	764	252	265	289
Foreign	336	319	327			
Canada	82	112	92 4/	165	193	203
Malawi, flue-cured, auction						
Turkey, oriental tobacco, export unit value				334	283	291

1/ Farm sales weight basis.
2/ Dry weight basis.
3/ At the beginning of the marketing year.
4/ 1 October.

smoked in the United Kingdom, the tobacco manufactured weight rose by 8 percent because of a switch to king-sized cigarettes favoured by changed tax structures. Preliminary indications are that world consumption of tobacco products increased in 1979 because of further increases in developing and, to a lesser extent, developed countries.

Production and demand to increase in 1980

World production and demand for tobacco are likely to continue to expand in 1980 in line with longer term trends. Developing countries may be expected to increase further their share of world output which has gradually increased from about 57 percent in 1974-76 to 60 percent in 1978. This advance continues to be encouraged by rising demand in both export and domestic markets, the cost advantages enjoyed by developing countries as well as the special position of this crop among field crops with the highest returns per unit area. While the developing countries account for about 50 percent of world tobacco consumption, this share will also increase because of rapid growth in demand, particularly in the Far East and Latin America. Rising income levels, the growing popularity of cigarette smoking and the increased availability of tobacco products in countries where production is expanding, continue to contribute to the increase. The share of developed countries in world raw leaf exports is also decreasing gradually over the longer run, despite considerable year-to-year fluctuations, because of the increasing competition from developing countries supplying light neutral leaf. Indications are that in 1980 exports of unmanufactured tobacco from developed countries will be lower, while those from developing countries will remain at recent levels. However, developed countries are likely to continue to expand their exports of tobacco products which in recent years have exceeded 300 000 tons, or nearly 40 percent, of their total exports in terms of leaf equivalent.

RECENT FAO COMMODITY REPORTS ON WINE AND VINE PRODUCTS

FAO. Current Wine Situation: summer 1979, Rome, September 1979

FAO. Current Wine Situation: winter 1978/79, Rome, February 1979

FISHERY PRODUCTS

Highlights

The world catch of fish, crustaceans and molluscs in 1978 was the highest yet recorded, exceeding the previous highest total reached in 1976 by half a million tons. Even with this increase, however, average annual growth rates in the seventies at less than one percent, remain disappointing, especially when compared with the rates of 5-6 percent achieved during the sixties.

As in the past, however, fluctuations in the world catch continue to be heavily influenced by pelagic species used mainly for reduction to meal and oil. Although the Peruvian anchovy now figures less prominantly in world catches - presently the eighth most important species in terms of quantity landed - most of the increase in the world catch in 1978 came from sardines, pilchards and especially mackerels which together with capelin now provide much of the raw material input for the production of fish meal. Supplies for fish meal were also boosted in 1978 by a doubling to over half a million tons in the catches of blue whiting.

Production increases in 1978 were heavily concentrated in the southern hemisphere and in particular in Latin America. Output of fish meal by Peru and Chile increased by about two thirds helped by the continuing diversification in the basic raw material used. Much of the increase in ground fish production also took place in South America. Elsewhere in the developing countries, substantial increases in catch were recorded by Malaysia and the Philippines.

Landings in the developed countries as a whole showed a marginal decrease due mainly to a very sharp fall in the catch of capelin by Norway and a further decrease in production by the long distance fleets of the U.S.S.R. and eastern European countries. Japan's catch from distant waters also decreased, but particularly good results from the near water pelagic fisheries raised landings overall to a new record. Of the other developed countries, only Iceland and Canada managed increases of any significance.

Trends in production and trade of major fishery commodities

With the exception of shrimp, food fish markets were generally well supplied in 1978 and have continued to be so in 1979. In order to achieve this, however, it has often been necessary to shift away from traditional sources of supply and to substitute relatively neglected but abundant fish for those more traditional species still remaining secure.

The point is illustrated by trends in the supply of fresh and frozen groundfish. Catches of Alaska Pollack, the most important groundfish entering into world markets declined slightly in 1978, as did also catches of Atlantic Cod. Landings of other commercially attractive demersal fish, e.g. Haddock and Whiting, either declined or showed little change. Total supplies of whitefish, however. increased due mainly to increased catches from South American waters: on the Atlantic coast, catches of hake by Argentina increased by some 70 000 tons and on the west coast, landings of Pacific silver hake (Merluccius gayi) by Peru, increased by some 300 000 tons. Exports from these countries also rose, going mainly to the United States, where they replaced supplies from Scandinavian countries attracted to the temporarily more lucrative European market.

The world tuna catch increased considerably during 1978 - the catch by the United States' vessels was some 30 percent higher than in 1977. Catches by Japan also showed a significant increase with landings in Yaizu, the leading Japanese port, some 20 percent higher. Good catches were also reported by other countries, including Ghana, Mexico and the Philippines. Skipjack was the main source of the increase, with catches reaching 730 000 tons, some 100 000 tons higher than in the previous year. Landings of other tunas remained relatively unchanged.

Much of the increased catch was absorbed in the domestic markets of the catching countries, but there was some small growth in trade, with increased supplies from a wide range of West African, Latin American and Pacific countries, offsetting a sharp fall in exports from the Republic of Korea.

Among other fresh and frozen fish entering international trade, the main developments have affected shoaling pelagic fish and salmon. As already noted, the main production increases in 1978 centred on shoaling pelagic fish, such as sardine and mackerel, and - fish meal apart - a significant proportion of this increase has entered into international trade. Generalisations, however, are misleading and production from many pelagic species, which are subject to wide fluctuations in yield, remains depressed. This is

TABLE 31 - FISHERY PRODUCTS: WORLD CATCH OF AQUATIC ORGANISMS 1/

	1974-76 average	1977	1978	Change 1977 to 1978
	(. . . . . thousand tons . . . . .)			(percent)
World total	69 873	71 213	72 380	+ 2
Developing countries	31 398	32 291	34 089	+ 6
Latin America	7 616	7 035	8 545	+ 22
Peru	3 978	2 541	3 365	+ 32
Chile	1 165	1 349	1 698	+ 26
Brazil	724	748	858	+ 15
Mexico	505	670	752	+ 12
Others	1 244	1 727	1 872	+ 8
Africa	3 763	3 400	3 541	+ 4
Angola	205	113	119	+ 5
Senegal	360	289	346	+ 20
Morocco	268	261	292	+ 12
Ghana	237	268	264	- 1
Others	2 693	2 469	2 520	+ 2
Near East	845	822	791	- 4
Far East	11 922	13 475	13 637	+ 1
Korea, Republic of	2 188	2 419	2 351	- 3
India	2 232	2 312	2 368	+ 2
Indonesia	1 403	1 572	1 655	+ 5
Thailand	1 576	2 190	2 264	+ 3
Philippines	1 403	1 511	1 558	+ 3
Malaysia	505	619	685	+ 11
Others	2 615	2 852	2 756	- 3
Asian CPE	7 099	7 398	7 359	- 1
China 2/	4 500	4 700	4 660	- 1
Others	2 599	2 698	2 699	-
Other developing	153	161	216	+ 34
Developed countries	38 475	38 922	38 291	- 2
North America	4 072	4 355	4 918	+ 13
United States	3 003	3 085	3 511	+ 14
Canada	1 069	1 270	1 407	+ 11
Western Europe	11 562	12 185	11 568	- 5
EEC	5 045	4 851	4 893	+ 1
Denmark	1 838	1 807	1 745	- 3
United Kingdom	1 051	1 020	1 054	+ 3
France	807	760	796	+ 5
Germany, F.R.	474	432	412	- 5
Others	875	832	886	+ 7
Norway	2 875	3 460	2 647	- 24
Spain	1 501	1 394	1 380	- 1
Iceland	978	1 378	1 579	+ 15
Portugal	384	310	255	- 18
Others	779	792	814	+ 3
Eastern Europe and U.S.S.R.	11 202	10 563	9 994	- 5
U.S.S.R.	9 789	9 352	8 930	- 4
Poland	743	655	571	- 13
Oceania	189	210	205	- 2
Australia	119	128	123	- 4
New Zealand	70	82	82	-
Other developed	11 450	11 609	11 606	-
Japan	10 664	10 763	10 752	-
South Africa	643	603	628	+ 4
Israel	25	24	26	- 8

1/ Excluding cetaceans.
2/ Revised data.

TABLE 32 - FISHERY COMMODITIES: WORLD TRADE

	EXPORTS			IMPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(... million U.S. dollars ...)			(... million U.S. dollars ...)		
World total	6 806	9 483	11 195	7 509	10 047	12 020
Developing countries	2 373	3 572	4 005	925	1 109	1 305
Latin America	773	1 028	1 242	217	231	281
Central America	242	307	364	23	22	41
Mexico	167	197	251	16	12	31
Others	75	110	113	7	10	10
Caribbean	64	79	81	101	101	104
South America	467	642	797	93	108	136
Brazil	48	74	83	57	54	72
Peru	227	226	252	1	-	-
Others	192	342	462	35	54	64
Africa	237	248	272	242	253	273
Near East	42	47	45	64	103	132
Far East	906	1 639	1 768	329	423	504
Korea, Rep. of	284	697	639	12	17	42
India	140	206	229	2	-	-
Indonesia	110	177	247	6	7	7
Others	372	559	653	309	399	455
Asian CPE	251	432	483	45	69	75
Other developing	126	173	195	28	30	40
Developed countries	4 433	5 911	7 190	6 584	8 938	10 715
North America	799	1 274	1 878	1 742	2 292	2 442
United States	308	508	897	1 597	2 086	2 226
Canada	491	766	981	145	206	216
Western Europe	2 534	3 424	3 919	3 051	3 855	4 735
Denmark	484	629	728	122	175	221
France	119	151	215	478	655	844
Germany, F.R.	159	231	235	513	666	763
Italy	49	55	71	335	425	542
Netherlands	251	315	400	179	258	327
United Kingdom	139	197	285	465	556	693
Norway	562	841	756	33	28	32
Iceland	270	381	498	2	2	1
Spain	212	236	281	162	156	246
Others	289	388	450	762	934	1 066
Eastern Europe and U.S.S.R.	256	268	313	295	322	298
U.S.S.R.	191	195	237	30	45	43
Eastern Europe	65	73	76	265	277	255
Other developed	844	945	1 080	1 496	2 469	3 240
Japan	583	631	749	1 351	2 296	3 042
Others	261	314	331	145	173	198

TABLE 33 - FISH MEALS AND SOLUBLES: PRODUCTION AND EXPORTS

	PRODUCTION			EXPORTS		
	1974-76 average	1977	1978 (prelim.)	1974-76 average	1977	1978 (prelim.)
	(. . . thousand tons . . .)			(. . . thousand tons . . .)		
World total	4 664	4 350	4 639	2 087	2 043	2 078
Developing countries	1 430	1 150	1 519	1 005	900	1 034
Latin America	1 174	899	1 247	835	737	836
Africa	76	20	40	74	18	37
Far East	150	194	203	70	109	133
Asian CPE	4	1	1	-	-	-
Other developing	26	36	28	26	36	28
Developed countries	3 234	3 200	3 120	1 082	1 143	1 044
North America	446	418	539	61	61	82
Western Europe	1 059	1 162	1 053	872	1 021	871
Eastern Europe and U.S.S.R.	692	675	585	16	14	21
Other developed	1 037	945	943	133	47	70

the case with some previously high yielding North Atlantic species such as herring and mackerel, but an important exception has recently been provided by the Atlantic mackerel stocks in United Kingdom waters. Landings of these mackerel reached a record of 321 000 tons in 1978, exports of which increased from 50 thousand tons in 1977 to 250 thousand tons, worth some U.S.$60 million in 1978.

Provisional information suggests that production and exports of shrimp were marginally lower in 1978; there was a sharp fall of over 20 000 tons in landings in India, the world's largest producer. Landings in Mexico and the United States were also down on the previous year's record level. Production in Indonesia showed little change. Some of the shortfall caused by the drop in production by India, was offset by smaller producers, but when final information is available, it seems unlikely that total production will have exceeded the 1.4 million tons reached in 1977.

World cephalopod production showed little change in magnitude in 1978, but the gradual diversification of production away from a few countries continued. In 1974, Japan and Spain produced over two thirds of the total world supply, but by 1978 their share had fallen to a little over one half. Production from the countries of Southeast Asia has lately been growing, and in 1978, Argentinian output jumped from 3 000 to 40 000. With strong market demand and gradually widening acceptability of cephalopod products, international trade continues to grow and among countries increasing their exports in 1978, were Argentina, Canada and the Republic of Korea.

Various dried fish products continue to be of great significance for some developing countries, particularly those in West Africa, but in view of the lack of data it is difficult to evaluate trends. The major recorded trade flows are of stock fish and salt dried white fish from northern Europe and Canada. In 1978, production of dried fish in Europe decreased considerably but Canadian output expanded. The traditional trade of dried fish products from these countries to West Africa and the Caribbean, has been decreasing recently on account of rising prices, but in 1978, there was a sharp drop in volume due to the virtual suspension of imports into Angola. Against the trend, however, imports into Nigeria expanded slightly as a result of special trading agreements negotiated with the Nigerian Government.

Among the more notable features of production and trade in canned fish in 1978, is the effect which the tuna boom had on the production of canned tuna with increased output being recorded by canneries in the United States, Japan and Europe. Canneries which specialize in herring products, however, were again in difficulties because of continued raw material shortages, a problem which was aggravated by the closing of the North Sea herring fisheries. Efforts, only partially successful, were made to substitute mackerel and similar species. Salmon canneries in North America benefitted from good catches in 1978, which were reflected in increased exports from both the United States and Canada.

There was a sharp increase in world fish meal production in 1978, which resulted largely from greater landings of raw material input in Peru, Chile, the United States and Japan. Since the increased production of the two latter countries was absorbed on the domestic market, international trade in meal increased significantly less than production.

Imports into main consuming countries continue to grow

Japan, already the world's largest importer of fish and fishery products, imported nearly $700 million more in 1978, to reach a total of $5 250 million, although the dollar value somewhat overstates the real rise in imports because of the appreciation of the yen during the year. Growth continued into 1979 with imports in the first half of the year up by 16 percent in quantity and 36 percent in value compared with the first half of 1978 - the rise in value again being inflated by changes in the dollar/yen exchange rate. While the growth in Japanese imports was in part a reflection of the strength of the Japanese market, the effect of adjustment to a regime of EEZ's was also an important influence. This was particularly the case with Salmon, where further limitations placed on Japanese vessels in the waters of the United States, Canada and the U.S.S.R. led to a large rise in Japanese imports of frozen salmon, from less than 20 000 tons in 1977 to nearly 50 000 tons in 1978. Similarly, the loss in supplies of Alaska Pollack from the EEZ of the U.S.S.R. led to purchases at sea from Soviet vessels.

A large part of the Japanese import bill for fishery products continues to consist of high value products, including, herring roes, eel and shrimp, as well as salmon. Increases in imports of shrimp were the other main influence on the

growth in imports in 1978, with the quantity of frozen shrimp imported greater by 15 percent. The dollar value of these imports also rose by 22 percent, but changes in the yen/dollar rate of exchange caused the yen value of imports to fall.

The demand for fish products in the United States, the world's second largest importer, also increased in 1978 by some $140 million to reach a little over $2 000 million. The main source of the increase was frozen tuna, imports of which, in spite of the rise in domestic production, increased by approximately 28 percent in both quantity and value to reach 36 000 tons, worth $325 million. Similarly, good demand for white-fish, particularly prepared frozen products, led to a growth in imports again, in spite of increased domestic production. Imports have continued to grow in 1979.

Collectively, the European Economic Community now represents a very substantial market for fishery products, with the four largest countries each importing annually between U.S.$500 million and $1 000 million of fishery products. Imports into France, now the world's third largest importer, reached $850 million in 1978, with salmon, cod, sardine and shrimp among the principle items imported. Cod also featured significantly in the very sharp increase in imports into the United Kingdom.

Prices continue to rise but tuna an exception

Around a general long-term tendency for the relative price of fish to rise, short-term movements in 1978 and early 1979 were very varied. A number of European countries, e.g. Federal Republic of Germany, United Kingdom and Sweden, fish prices increased more rapidly than prices in general and, in particular, those of competing foods such as meat. In other countries, e.g. Denmark and Belgium, prices were stable. Information on prices in developing countries is scarce, but available data suggests that in many cases fish prices are rising both relative to income level and the prices of other foods.

Relatively good price information is available for those commodities which enter significantly into international trade. Shrimp prices continued to rise in 1978 and this general upward trend continued in the first half of 1979. However, prices now seem to be causing some consumer resistance, one effect of which is a move towards the purchase of smaller (and therefore cheaper) sizes. In Japan, the rise in shrimp prices was masked throughout much of 1978 by the rise in the external value of the yen but by late 1978 and early 1979, the price in yen was also increasing.

The greatly increased supplies of tuna, however, led to a general reduction of prices. In Japan, skipjack prices decreased from Yen 231 000 per ton in December 1977, to Yen 150 000 per ton in the same month in 1978. The reduction was less evident in the North American market on account of the decline in the value of the dollar, but prices of skipjack began to weaken noticeably towards the end of the year.

Prices for groundfish were relatively stable, aided no doubt by the expanded production of hake in Latin America.

Outlook

The outlook is more uncertain than for many years. Indicators mid 1979 suggested further production increases, in particular for pelagic species and hake in Chile, Peru and Ecuador, and for hake especially in Argentina. Catches by Canada also seem likely to increase, but in the United States, much will depend on the Menhaden fishery which had provided most of the growth in 1978. While on a national basis, some of these increases may be significant, the effect on the world total would be of the order of one percent. Against these increases, a question mark remains over production by the countries still having distant water fleets, principally the U.S.S.R. and Japan - which may not yet have adjusted completely to the new regime of exclusive economic zones. Indeed, production by Japan seems most likely to decline in 1979, since the coastal pelagic fisheries cannot be expected to continue to compensate for declines elsewhere as they did in 1978.

Trade will be dependent largely on production. Stocks of traditional groundfish near to the main consuming countries unlikely to provide for significant increases in catches, and the trend towards the import of substitute species from the southern hemisphere seems likely to continue. However, the recent enforcement of EEC reference price regulations on South American hake will make this more difficult.

Trade in shrimp seems unlikely to register much increase. Stocks harvested by some of the traditionally large producers are now very heavily exploited and at best seem unlikely to yield any

increase in catch, although some smaller producers may be able to increase production. Trends in 1979, indicated a further rise in Japanese imports, while United States' imports were down on the corresponding period in 1978 and the general shortage of supply in relation to demand, was resulting in a continuing rise in prices.

Output of fish meal is unlikely to change. With a record soybean crop in the United States, protein meal is likely to be relatively abundant and the price of fish meal, which has been weak recently, seems unlikely to recover in 1980.

RECENT FAO COMMODITY REPORT ON FISHERY PRODUCTS

FAO. Fish Trade in the Near East Region. Indian Ocean Programme, Rome, 1979 (document No. IOP/TECH/79/25)

FORESTRY PRODUCTS

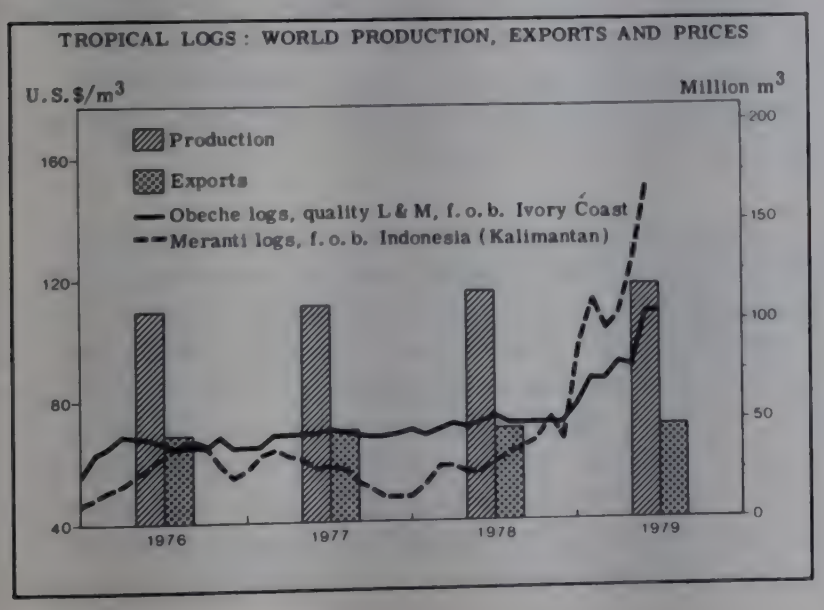
Highlights

The small increases in 1978 in production and trade in wood products, which were sustained in 1979, largely reflected continued slow economic growth in developed countries. A main feature has been the improved utilisation of industrial capacity. Increased consumption in 1978 was partly met by a run down in stocks by both producers and traders; part of the maintained impetus in production and trade in 1979 was directed to rebuilding normal stock levels. Significant additions to production and export of panel products and pulp for paper, have been made in recent years in several developing countries.

Further increases in world production and exports in 1978

World production of roundwood reached 2 600 million m^3 in 1978 - of which half was produced in developing countries. Just under half of the total volume was estimated to be consumed as fuelwood; 80 percent of the production of developing countries was used as fuelwood, while the proportion in developed countries was 10 percent. Production of industrial roundwood increased in 1978 in developing countries by 4 percent and in developed countries by 1 percent. The volume of world trade in roundwood increased by 3 percent in 1978, and the total value of $5 560 million made up 15 percent of total world trade in wood products. World trade in coniferous roundwood increased slightly in 1978 and is estimated to have increased further in 1979; two thirds of this trade was accounted for by Japan's imports from the U.S.S.R. and North America.

Figure 21



Tropical logs constitute the major component of trade in non-coniferous logs and in terms of value, unprocessed roundwood exports make up 48 percent of developing country exports of wood products. The exports of Malaysia, Indonesia and the Philippines, make up more than 80 percent of this trade, with 56 percent of their exports going to Japan and the remainder to other countries within the region. The combined exports of the three countries increased by 4 percent in 1978, and their exports to Japan in the first half of 1979 were slightly greater than in the corresponding period of 1978. However, the drastic price increases, by nearly 2.7 times in U.S. dollar terms over the twelve months to June 1979, may have resulted in a reduction in the volume of trade during the second half of the year. The trend in log exports from Africa has been slightly downward over the past several years and the volume shipped fell further in 1978.

Pulpwood production increased in step with increases in pulp production in 1978 and 1979.

In certain European countries, current prices appear to be insufficient to maintain the supply of smallwood and there is evidence that producers are getting a better price selling smallwood for fuel or they prefer to retain the wood to meet their own fuelwood requirements. Because of the high incidence of auto-consumption and the informal nature of the fuelwood market, data on actual levels of fuelwood production and consumption are poor in developed and developing countries.

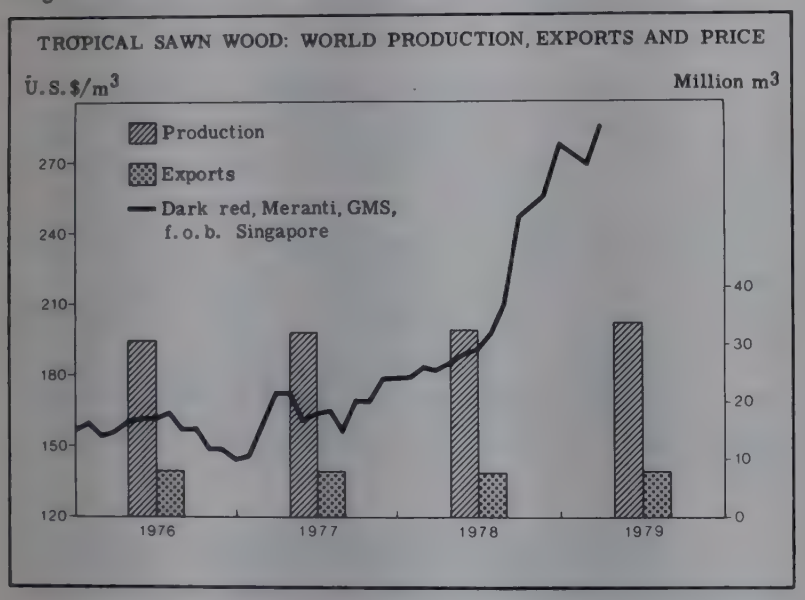
In 1978, the world production of sawnwood was 450 million m^3 and that of panels 100 million m^3. In both groups of products, output in the developing countries advanced faster than in the developed countries, bringing their production to 70 million m^3 of sawnwood and 12 million m^3 of panels. World trade in sawnwood increased by 7 percent in 1978, but exports of developing countries grew more slowly by 2-3 percent. Trade in panel products increased by 6 percent.

The trade in coniferous sawnwood constitutes some 20 percent of world trade in wood products, but it is principally between developed countries the main exporters being Canada, U.S.S.R., the United States and the Nordic countries and importers, western Europe, the United States and Japan. Consumption in these markets increased in 1978 and again in Europe and Japan in 1979. Consumption in the United States, however, is

estimated to have fallen in 1979 by 8 percent, due to a reduction in housing activity. Increased exports of sawnwood were achieved by two newer producers: Chile, with exports of sawnwood worth $50 million in 1978, and Portugal, with exports of $60 million. Indeed, a number of developing countries are expanding their capacity and are expected to enter the export market in sawnwood, especially Brazil, Korea, Mexico and Turkey, while other countries with sizeable potential include Fiji, Honduras, Madagascar, Malawi and Zambia.

Non-coniferous sawnwood accounts for only 20 percent of world production of sawnwood, but as much as 60 percent of developing countries production. Their aggregate exports, however, increased only slightly in 1978. By contrast, production and imports in Europe and North America advanced strongly over the levels of 1977.

Figure 22



One half of the volume of world trade in wood-based panels is plywood and one half particleboard and fibreboard. Most of the latter trade is concentrated in Europe and North America. However, more than half the world exports of plywood are from developing countries, principally in the Far East. The exports of these countries increased substantially in 1978, notably from Indonesia, a recent entrant into the export trade. Its production has increased from a negligible level in 1973, to more than 500 000 m^3 in 1979, and its exports, which jumped from 17 000 m^3 in 1977 to 80 000 m^3 in 1978, are estimated at 150 000 m^3 for 1979.

North American production of plywood increased slightly in 1978, mainly as a result of increases in Canada. Japan, which is the second largest producer of plywood after the United States, increased output by 10 percent in 1978 and, by early 1979, was producing at a rate 15 percent higher than a year before. Only if this level of production was sustained, however, would Japan have recovered the peak level of 1973. Particleboard production increased in Europe by 4 percent in 1978, and in the United States by 7 percent. Canadian production increased by 24 percent and is expected to increase by a similar rate in 1979. A major factor in the increase is the growth of production of waferboard, a form of particleboard that is competitive with sheathing grade plywood. The downward trend in production of fibreboard by the major producers of western Europe has continued, while the upward trend has continued in North America and the U.S.S.R.

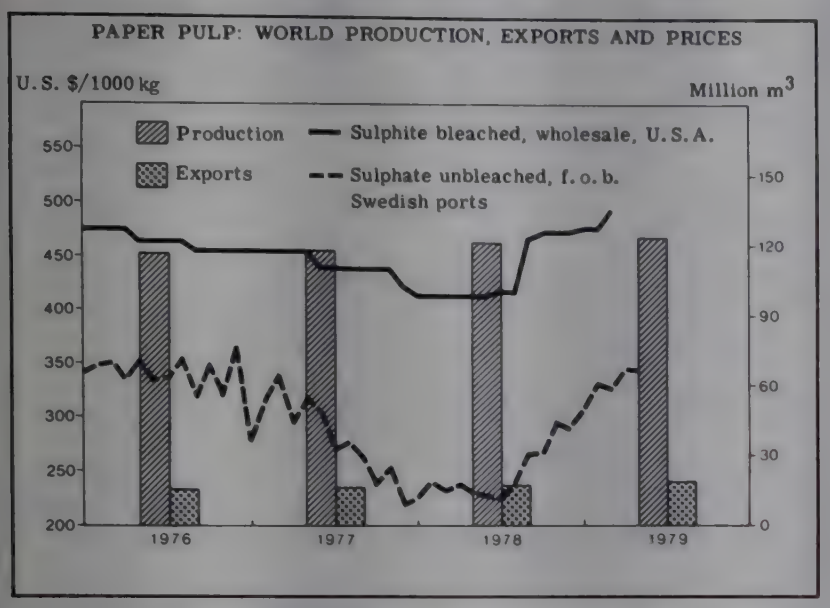
Output of pulp and paper hampered by capacity constraints in some developed countries, but fast growth in developing countries

World production of pulp in 1978 was 126 million mt. Developing countries contribute only around 10 percent of world production of pulp and paper. However, their production is growing at an annual rate of nearly 10 percent compared with growth in world production of 4 percent. Pulp made from non-wood fibres makes up 40 percent of developing countries' production. Important additions to capacity were brought into production in developing countries during 1978, including three major pulp mills in Brazil with a capacity of nearly 1 million m.t. based on fast growing hardwood plantations and newsprint mills in Peru and in Mexico based on bagasse and in Argentina based on poplar and willow. The Republic of Korea doubled its paper production over the period 1975-78, but is heavily dependent on imports of wood pulp and, particularly, of waste paper. Seventy percent of its total paper production is based on waste paper. New pulp and paper capacity is under construction in a number of other developing countries, including major additions in Nigeria, Cameroun, Viet Nam, Turkey, Thailand and the Philippines.

Developing countries are net importers of wood pulp and their total exports contributed in 1977 only 4 percent of a total world trade of 19 million m.t. However, notable increases in exports were recorded by Brazil, from 0.10 million m.t. in 1977, to 0.5 million m.t. in 1979, with a value of $200 million, and Chile, with exports of pulp worth $100 million in 1979. Swaziland and Morocco are two other developing countries with appreciable pulp exports. China entered the

market as a substantial importer of pulp in 1978. Developing countries remain major net importers of paper; however, in the period since 1970, the volume imported has increased by only 10 percent, while domestic production has increased by 70 percent. The slight decline in their imports in 1978 raised further their degree of self-sufficiency. Brazil, Chile and the Republic of Korea are among the few developing countries with significant exports of paper.

Figure 23



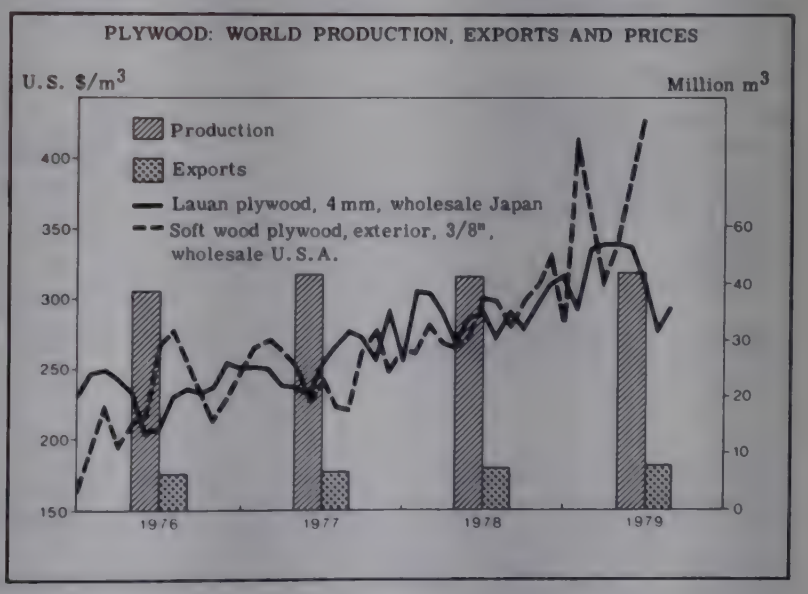
The pulp and paper industry of most developed countries was working near to full capacity in 1978, and capacity was constraining the ability to satisfy all requirements in 1979. Stocks which had built up to exceptionally high levels, particularly in the Nordic countries and Canada, were reduced to normal levels by the beginning of 1979. The high level of production resulted in wood supply problems in some countries and there was a strong demand for waste paper. In Japan, the continued low utilization of capacity lead to the formation of a recession cartel with government participation, to allow a distribution of production which ensured partial operation of all mills. Japan's exports dropped, and although its paper imports are small in total consumption, they doubled in 1978, reflecting in part the high valuation of the yen.

The high cost of oil has lead the industry to seek to achieve higher recovery rates for residuals such as spent liquor, as fuel. In new installations, boilers capable of utilizing bark - previously a waste material and cause of environmental pollution - are included to reduce oil consumption. Innovation in the design of thermo-mechanical mills may also result in a significant reduction in energy requirements in future installations.

Prices of most wood products increase in 1978 and 1979

The trend in current dollar prices in 1978 was towards moderate increases for most wood products. The major exception was wood pulp, whose price declined by up to 30 percent in the case of some countries and grades. The upward trend in prices accelerated in the latter part of 1978 and into 1979. The tendency was most marked for South-East Asian logs and sawnwood and prices more than doubled between June 1978 and June 1979. A factor in this increase was a growing concern on the part of timber producing countries of the region over the limited capacity of their forest resources to sustain current cutting rates and that this limited supply should contribute to the maximum extent to the local economy, particularly through the development of processing within the country. Measures to restrict exports of timber in unprocessed form were further extended. The increase in the price of lauan plywood reflected the price of logs. However, the price of soft-wood plywood in the United States, the main competitor of lauan plywood imports, declined in the early months of 1979 in response to the reduced demand of the housing sector. As a result of the much tighter supply situation and the maintained growth in the demand for paper, pulp prices recovered to the levels of 1977 and increased further during 1979. Paper prices also maintained an upward trend.

Figure 24



Contrasting consumption trends in developed and developing countries

Consumption and trade in wood products is closely related to general economic activity. Economic expansion in Europe, Japan and North America has contributed to the recovery of the

TABLE 34 - TRADE IN SAWNWOOD AND WOOD-BASED PANELS

	EXPORTS			IMPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(. . . million m^3 . . .)			(. . . million m^3 . . .)		
SAWNWOOD						
World total	61.2	74.0	79.1	60.0	72.0	77.1
Developing countries	7.8	9.3	9.5	6.5	9.1	9.4
Latin America	1.8	2.1	2.0	2.0	1.9	2.2
Africa	1.0	1.1	1.1	1.1	1.1	1.1
Far East	4.5	5.8	6.0	1.5	1.9	1.8
Developed countries	53.4	64.7	69.6	53.5	62.9	67.7
North America	23.6	33.2	35.8	18.2	26.5	29.6
Western Europe	18.1	19.6	21.3	26.6	28.0	29.7
Eastern Europe and U.S.S.R.	11.4	11.4	11.9	3.7	3.1	3.3
Others	0.3	0.5	0.6	5.0	5.3	5.1
WOOD-BASED PANELS						
World total	13.0	14.3	15.3	13.2	14.0	16.2
Developing countries	4.0	4.5	4.8	1.2	1.3	1.4
Latin America	0.3	0.4	0.4	0.2	0.1	0.2
Africa	0.2	0.2	0.2	0.2	0.2	0.2
Far East	2.7	3.9	4.2	0.4	0.5	0.6
Developed countries	9.0	9.8	10.5	12.0	12.7	14.8
North America	1.5	1.5	1.7	3.3	3.5	3.8
Western Europe	5.7	6.2	6.6	6.8	7.5	9.5
Eastern Europe and U.S.S.R.	1.6	1.8	1.9	1.3	1.3	1.2
Others	0.2	0.3	0.3	0.6	0.4	0.3

TABLE 35 - TRADE IN PAPER

	EXPORTS			IMPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(..million metric tons..)			(..million metric tons ..)		
World total	26.6	28.1	30.6	26.0	27.5	29.5
Developing countries	0.5	0.5	0.6	4.3	4.8	4.7
Latin America	0.2	0.2	0.3	1.8	2.0	1.9
Africa	-	-	-	0.5	0.5	0.5
Far East	0.1	0.1	1.3	1.3	1.5	1.7
Developed countries	26.1	27.6	30.0	21.7	22.7	24.8
North America	11.0	11.2	12.0	6.9	7.0	8.4
Western Europe	12.9	13.7	15.2	11.8	12.7	13.4
Eastern Europe and U.S.S.R.	1.3	1.6	1.6	1.6	1.7	1.7
Japan	0.7	0.6	0.6	0.3	0.3	0.4
Others	0.2	0.5	0.6	1.1	1.0	0.9

TABLE 36 - FOREST PRODUCT PRICES

1974	1975	1976	1977	1978
(. . . U.S. dollars per m^3 . . .)				
50.70	51.94	54.41	68.35	89.30
59.90	58.32	62.20	71.10	80.15
50.63	54.62	64.39	67.97	71.90
26.67	21.11	32.23	29.75	33.00
88.60	103.80	132.00	131.00	164.00
177.10	195.50	233.60	255.95	291.50
(. . U.S. dollars per metric ton . .)				
295.30	410.00	389.00	345.20	302.60
232.50	233.20	304.15	328.40	348.00
520.40	534.50	555.70	586.50	635.00
342.20	392.70	341.10	274.80	282.20
198.20	249.50	236.90	231.10	232.60

CONIFEROUS LOGS (GERMANY, F.R.): Spruce/Fir, Hessen Region
CONIFEROUS LOGS (U.S.A.): Douglas Fir, average export value, f.o.b. Washington and Oregon states
TROPICAL LOGS (IVORY COAST): f.o.b. price Obeche (Samba)
TROPICAL LOGS (SARAWAK): average f.o.b. export unit value, all species
TROPICAL SAWNWOOD (MALAYSIA): average f.o.b. export price dark red meranti, standard and better
PLYWOOD (U.S.A.): softwood plywood, exterior, domestic, wholesale

WOODPULP (SWEDEN): sulphate bleached, average export unit value
NEWSPRINT (U.S.A.): domestic, wholesale, standard rolls
PRINTING AND WRITING (U.S.A.): book paper, No.3 offset, domestic, wholesale
KRAFT LINER (GERMANY): Scandinavian, import c.i.f.
CORRUGATING MEDIUM (U.S.A.): domestic, wholesale

TABLE 37 - PRODUCTION OF FOREST PRODUCTS

	DEVELOPING			DEVELOPED			WORLD		
	1974-76 average	1977	1978	1974-76 average	1977	1978	1974-76 average	1977	1978
	(. . million m^3 . . .)			(. . million m^3 . .)			(. . million m^3 . .)		
Fuelwood	1 022	1 046	1 066	153	141	141	1 175	1 187	1 207
Industrial roundwood	250	271	282	1 078	1 112	1 121	1 328	1 383	1 403
of which:									
sawlogs (coniferous)	47	52	53	523	569	575	570	621	628
sawlogs (non-coniferous)	117	128	135	104	113	115	221	241	250
Other roundwood	86	91	94	451	430	431	537	521	525
Sawnwood	61	68	70	357	376	379	418	444	449
Wood-based panels	9	11	12	80	89	91	89	100	103
	(million metric tons)			(million metric tons)			(million metric tons)		
Pulp	10	11	12	107	111	114	117	122	126
Paper	15	16	17	129	136	141	144	152	158

TABLE 38 VALUE OF TRADE IN FOREST PRODUCTS

	DEVELOPING			DEVELOPED			WORLD		
	1974-76 average	1977	1978	1974-76 average	1977	1978	1974-76 average	1977	1978
	(million U.S. dollars)			(million U.S. dollars)			(million U.S. dollars)		
Roundwood									
Exports	1 866	2 357	2 533	2 500	2 950	3 070	4 366	5 307	5 603
Imports	719	942	1 296	5 289	6 175	6 518	6 008	7 117	7 814
Sawnwood and panels									
Exports	1 690	2 114	2 510	6 374	8 861	10 299	8 564	10 975	12 809
Imports	1 008	1 550	1 425	8 241	10 357	12 887	9 249	11 907	14 312
Pulp and paper									
Exports	346	399	469	14 104	16 714	18 304	14 450	17 113	18 773
Imports	2 530	2 887	2 960	15 535	15 576	16 856	18 065	18 463	19 816
All products									
Exports	3 902	4 870	5 512	23 478	28 525	31 673	27 380	33 395	37 185
Imports	4 257	5 379	5 681	29 065	32 108	36 261	33 322	37 487	41 942

TABLE 39 - TRADE IN SAWLOGS AND VENEER LOGS

	EXPORTS			IMPORTS		
	1974-76 average	1977	1978	1974-76 average	1977	1978
	(. . . million m^3 . . .)			(. . . million m^3 . . .)		
CONIFEROUS						
World total	26.1	28.5	29.5	25.9	29.0	29.4
Developing countries	0.4	0.7	1.1	1.2	1.6	2.8
Developed countries	25.7	27.8	28.4	24.7	27.4	26.6
North America	13.0	14.4	15.6	1.8	2.2	2.0
Western Europe	2.3	2.6	1.9	4.1	4.9	4.1
Eastern Europe	0.5	0.4	0.5	0.9	0.8	0.8
U.S.S.R.	8.9	9.4	9.4	-	-	-
Japan	-	-	-	17.9	19.4	19.6
NON CONIFEROUS						
World total	42.4	47.0	48.2	40.9	42.4	44.1
Developing countries	39.7	44.3	45.4	10.3	12.4	12.9
Latin America	0.1	-	-	0.1	0.1	0.1
Africa	6.2	6.6	6.1	0.2	0.2	0.2
Far East	32.7	37.0	38.5	5.9	7.8	8.3
Developed countries	2.7	2.7	2.8	30.6	31.0	31.2
North America	0.5	0.4	0.5	0.4	0.3	0.4
Western Europe	1.9	2.1	2.1	8.0	8.8	8.3
Japan	-	-	-	21.4	21.2	21.9
Others	0.3	0.2	0.2	0.8	0.7	0.6

wood products industries to full utilisation of capacity, and the expectation of economic growth over the medium term is generating investment in expansion of capacity. However, high interest rates in the United States, the anticipation of a slight recession in the economy and continued uncertainty about oil prices, has somewhat dampened optimism in relation to the immediate future. In particular, although housing starts over the medium term are expected to exceed 2 million per year, the number fell back in 1979 to 1.7 million and may decline to 1.5 million in 1980. On the other hand, expenditure on repairs, maintenance and do-it-yourself activities has risen to very substantial levels both in North America and Europe.

Rapid growth of the urban economies of developing countries has stimulated a strong growth of demand for wood products. In Indonesia, for example, rapid growth lead to the need to raise the priority of supply to the domestic market and the introduction of restrictions on exports. In Thailand, the domestic requirement has outstripped the capacity of local roundwood supply and local industry, and substantial imports have been necessary to avoid excessive price increases.

Shifts in the relative value of currencies have continued to be a significant factor influencing import demand and the strength of domestic suppliers. In particular, the high relative costs of domestic producers at current exchange rates in both the Federal Republic of Germany and in Japan, have made it more difficult for them to compete against imports.

Uncertain short-term trade prospects

While consumption of forest products is expected to increase at a moderate rate, two factors have given rise to particular uncertainty about market prospects. Firstly, the substantially increased interest rates and the possibility of a slight recession in the United States, accompanied by a further reduction in housing starts in 1980, could curb demand for sawnwood and panel products in this market. Secondly, the exceptionally high level of prices in the Far Eastern market may be expected to lead to some reduction in the volume of trade in their wood products. These high prices, however, reflect in part the increase in domestic demand associated with rapid economic growth in several major countries in that region. In fact, the continuation of consumption trends over the longer term, would point to relatively faster growth in the developing countries with more moderate growth of consumption in the developed countries.

RECENT FAO COMMODITY REPORTS ON FORESTRY PRODUCTS

FAO. Forest Product Prices, 1960-1978 (FAO Forestry paper, FAO 1980).

FAO. Tropical Forest Products in World Timber Trade (FAO Monthly Bulletin, FO:MISC/79/24).

CHAPTER III - SPECIAL FEATURE

NEW PROTECTIONISM AND ATTEMPTS AT LIBERALIZATION IN AGRICULTURAL TRADE

Background

The progressive liberalization of world trade in the post war era, notably in manufactured goods, received a sharp setback after the 1972-73 boom. The recession during 1974-75 in the developed countries, heralded in what has been called a new surge of protectionism.

This "new protectionism", based on the increased use of "voluntary" export constraints and "orderly market arrangements", stems mainly from continuing high rates of unemployment in certain manufacturing sectors in those countries, from past difficulties or unwillingness to adjust resources out of high-cost manufacturing sectors and the increasing competitiveness of a number of newly industrializing developing countries, especially in labour intensive manufacturing sectors. Attention has focussed particularly on restraints to trade affecting steel and some parts of the electrical and electronics industries. New barriers to trade have also been erected in manufacturing sectors which are based in large measure on processing of agricultural products, such as textiles, rubber and leather goods and footwear.

The purpose of this chapter is to examine the extent to which the "new protectionism" has a wider applicability in the agricultural sector. It firstly examines the main types of protectionist measures applies to agricultural products for supporting domestic production and restraining imports. Secondly, it assesses, in broad terms, whether the level of protection afforded to agriculture has increased in recent years and what are the costs of protectionist measures, especially to developing exporting countries. Finally, the chapter provides a preliminary assessment of the outcome of the GATT Multilateral Trade Negotiations (MTNs) which have been carried out over the past six years.

Main protective measures applied to agriculture

Agriculture in developed countries has long been a protected sector for a variety of reasons. These include the desire to maintain or increase national self-sufficiency on strategic grounds, and thus reduce reliance on uncertain foreign supplies; the linked objective of maintaining stable domestic prices; and the desire to preserve farming and rural life for environmental reasons. Farmers individually have little if any bargaining strength. But collectively, the farming sector - under some electoral arrangements - possesses a greater weight in national policy making than would be warranted by considerations of sectoral size alone, thus fostering the pursuit of those goals.

The measures used to reach these objectives take many different forms, as reliance on border tariffs alone would give but little assurance of domestic income and price stability at the desired levels. In contrast to manufactured products, the international prices of primary commodities fluctuate sharply. Moreover, as agricultural trade accounts for only a small fraction of global production, price gyrations are exacerbated by the pursuit of national policy goals. Indeed, it was the failure of high tariff barriers in the late twenties and early thirties - which in some cases reached 200-300 percent - to restore agricultural prosperity that stimulated more widespread use of the domestic support measures which are so deep-rooted today. These measures took the form of direct intervention by governments in domestic production, internal and external marketing and the setting of minimum levels of producer prices. They also included a wide range of other devices aimed at enhancing farm incomes and/or prices or, when surpluses occurred, at promoting consumption - at home and abroad - or at curtailing production, so as to sustain prices.

The success of such support measures depends essentially on ability to divorce domestic prices from lower prices offered by foreign suppliers. Since tariff barriers are not fully effective, governments inevitably resorted to other non-tariff barriers against imports. GATT has identified over 800 forms of non-tariff measures which impinge on trade. These have been classified under five broad groups:

(i) Specific limitations on trade: quantitative restrictions, voluntary export restraints, health and sanitary regulations, licensing, embargoes, minimum price regulations.

(ii) Charges on imports: variable levies, prior deposits, special duties on imports, internal taxes.

(iii) Standards: industrial standards, packaging, labelling and marking regulations.

(iv) Government interventions in trade: government procurement, state trading, export subsidies, countervailing duties, trade diverting aid.

(v) Customs and administrative entry procedures: customs valuation, customs classification, anti-dumping duties, consular and customs formalities and requirements and sample requirements.

In fact, domestically oriented measures to support agriculture are supplemented by a vast array of techniques aimed at preventing imports from undermining such policies. Indeed, in the original Articles of the GATT, exemptions allow for the imposition of import restrictions on agricultural and fisheries products necessary to the enforcement of certain governmental support policies.

In the case of dairy products, to cite only one example, policies in North America, Japan and western Europe, provide high levels of price support. These measures, complemented by restrictive import regimes, have stimulated supply and depressed demand. As a result, additional domestic measures have been necessary to constrain the growth of output. These include milk delivery quotas and dairy cow slaughter programmes and, on the side of consumption, large subsidies which, for example, promote the use of liquid and dry skimmed milk for animal feed. As regards the international market, quotas and minimum import prices are imposed to limit imports, while heavy export subsidies and food aid are used to help curb surpluses.

Not all non-tariff barriers to trade are intrinsically harmful. Countries which are rid of major livestock disease problems, or which have invested heavily to improve stock health and quality, do not want to jeopardize their livestock industries by permitting importation of animals or meat from areas where disease is endemic. Similarly, no country would consider endangering its population by allowing imports of foodstuffs which do not meet minimum standards or which are deceptively labelled. Yet, even in these areas, the diversity of standards, and frequent changes in regulations - and differences in their interpretation - suggest that such standards are sometimes misused to impede legitimate imports. This is difficult to prove, but certainly great scope exists for further harmonization of standards in order to provide greater certainty for potential exporters and, ultimately, for investment in export-oriented production.

But most other non-tariff barriers applied to trade in competing commodities have the intention of shielding domestic producers from competition, and thus reduce and even disrupt the trading and investment opportunities open to low-cost producers and exporters. Among the most pervasive of such devices on the side of imports, are quotas, both overt quantitative restrictions and those implicitly operated under the aegis of state trading agencies; minimum import prices and licensing arrangements. On the side of exports, there are subsidies or restitutions, in order to dispose of unwanted surpluses. Examples can be found in practically every temperate-zone product - notably cereals, livestock products, fruit and vegetables, cotton, sugar, tobacco.

The disruptive effects of such measures are well illustrated in the case of meat. A cyclical decrease in beef prices, associated with a relative oversupply of meat in many importing countries during 1974-75, provoked widespread action aimed at relieving domestic supply and price pressures. These included import embargoes and suspension of import licences, tightening of quotas and the use of voluntary restraints. These measures suddenly and severely reduced trade and thus exacerbated the price problem already faced by exporters. Conversely, the contraction of beef output in importing countries since 1978/79, has contributed to sharp increases in international prices and a partial relaxation of import controls. Indeed, in most competing commodities, the policies pursued by the developed countries tend to worsen the degree of price volatility and the uncertainty faced by those countries which depend on the so-called "free" market for their export outlets. In Japan, for example, where beef prices to consumers are probably the highest in the world, imports are tightly controlled by an elaborate system of quotas. There, imports fell to 49 000 tons in

1974-75, from 92 000 tons in 1972-73. By 1978/79, the various quotas had been increased again to 112 000 tons.

As regards tropical products and agricultural raw materials grown mainly in developing countries, the protective barriers erected by developed countries tend to follow a different pattern from those applied to the competing products. Clearly, in products not produced to any significant extent in developed countries, there is little need to protect domestic producers. Thus, imports of primary products such as tropical beverage crops, natural rubber, hard fibres and raw jute, are for the most part accorded unrestricted entry or, at worst, face minor barriers to trade. Even in these commodities, however, the activities of state trading agencies inhibit free access to markets. Also in tropical fruits, such as bananas, and in tropical beverages, some importing countries exact internal taxes which limit the scope for market penetration.

The main impediments to trade in tropical products, and in raw materials in which developing countries possess clear economic advantages in production, comprise tariff barriers which rise with the stage of processing (i.e. tariff escalation). These aim to protect processing industries in the raw material importing countries. Alternatively, if tariff protection provides an uncertain shield, then non-tariff barriers assume greater prominence in the arsenal of protective devices. Thus, quantitative restrictions are widely used to regulate imports in industries such as textiles and clothing, leather goods and footwear - which are labour intensive, do not depend on sophisticated technologies, and in which many developing countries possess comparative labour cost advantages.

These processing industries in developed countries share many of the problems of other industrial sectors which have been the focus of the "new protectionism". The problems include abnormal under-utilization of capacity and relatively high unemployment, at a time when employment opportunities elsewhere in the economy are far from ample, thus making more difficult the adjustment of resources out of high-cost activities. In agriculture as a whole, however, protectionism has existed a long time and has been so pervasive as to pose a major impediment to the growth of trade. The next section attempts to quantify the magnitude of these impediments, especially as regards agricultural products of export interest to the developing countries.

However, this does not imply that the developing countries alone suffer the consequences of barriers to agricultural trade. Efficient developed exporting countries such as Australia and New Zealand, are also hit by the protectionist policies of countries which promote high cost domestic production, particularly of competing products.

While the next section specifically emphasizes the protectionist policies of the developed countries, it should not be overlooked that the developing countries also protect their domestic farming and processing sectors. In their case, however, it is internationally recognized that there is an imperative need to raise self-sufficiency in foodstuffs and improve nutritional conditions, especially in the least developed countries, and that the measures for reaching these goals should include incentives to accelerate production. Most developing countries are also afflicted by serious - and in many cases deepening - balance of payments problems. For them, the objective of trade liberalization often has to take second place to the need to allocate scarce foreign exchange for the specific imports which are vital to their development, and to the limitation of imports, in order to build up domestic processing capacity and thus promote industrial development. Nonetheless, scope does exist for some developing countries - especially the newly industrialized countries - to reduce barriers against imports of agricultural products and, generally, for the developing countries to make significant gains from trade in agricultural products within the framework of schemes of trade preferences among themselves. Examination of these possibilities, however, lies outside the scope of the present chapter.

The dimensions of agricultural protectionism

Despite the difficulties of quantifying the extent of protectionism in agriculture, due to the variety of measures applied, the evidence indicates that its magnitude is immense. The evidence also strongly suggests that protectionism has been increasing over recent years in a number of major traded agricultural commodities.

Four methods of measurement are used below to indicate the dimensions of protectionism in agricultural and processed agricultural commodities:

- comparisons of producer prices with representative world market prices;

- estimates of the impact of protection on domestic producers and consumers and on the volume of trade,

- estimates of the extent of effective protection enjoyed by processing industries in selected developed countries; and

- estimates of the extent to which the foreign earnings of developing countries are affected by the support measures applied by developed countries.

Increasing differences between domestic prices and world prices

The simplest indicator of protectionism relies on measurement of the percentage by which the price received by domestic producers exceeds the price at which the product is available from foreign suppliers or could be sold to foreign consumers. This indicator (the so-called ad valorem tariff equivalent) assumes that the wide range of tariff and non-tariff measures, domestic support and stabilization policies and fiscal incentives, in combination, account for the divergence between the domestic price and the world price.

However, caution must be used in interpreting the results. If the tariff equivalent increases from one year to another, this may be due to a decline in the selected world market price, for any of a number of reasons: it does not necessarily mean that additional barriers have been erected by the protecting country. Conversely, a decrease in the tariff equivalent does not necessarily signify a relaxation of protectionism. Nonetheless, a broad upward trend in the size of this indicator would suggest that domestic producers are being increasingly shielded from world supply and demand conditions, even in those commodities in which the "free" market accounts for only a small fraction of total trade and production.

Table 1 shows the direction in which protectionism in agriculture in Japan has moved in the past five years, as measured by the tariff equivalent. In all of the commodities shown, the indicator, by 1978, was at least four times the level of 1974 and, for beef and sugar, the increases were much greater.

TABLE 1 - AD VALOREM TARIFF EQUIVALENTS IN JAPAN

	1974	1975	1976	1977	1978
	(. . . . . percent. . . . . .)				
Rice	72.0	238.6	438.3	500.9	305.8
Wheat	100.0	145.0	194.7	378.6	448.9
Barley	130.1	168.4	224.3	322.5	491.1
Beef	36.9	227.9	241.5	285.4	250.7
Pork	28.1	60.2	48.4	105.7	117.3
Sugar	39.7	-10.7	40.3	215.0	329.9

Source: Monthly Statistics of Agriculture, Forestry and Fisheries, Statistics and Information Department, Government of Japan. (various issues); Main Indicators of Agriculture, Forestry and Fisheries, No.2. 1979.

Overall, protectionism in agriculture is very high in Japan and has been increasing over time. For the commodities shown, domestic procurement prices in yen increased by between 24 percent (pork) and 51 percent (beef) over 1974 to 1978. However, part of the apparent increase in tariff equivalents reflects changes in the yen/dollar exchange rate, as well as general declines in c.i.f. import prices in dollar terms. For example, the domestic procurement price of sugar increased by 38 percent in national currency, but by 91 percent in terms of dollars, while the c.i.f. price in dollars decreased by 62 percent.

Under the Common Agricultural Policy of the EEC, the variable levy is the single most important element used to limit imports. The levy is charged against imports from third countries depending on the difference between EEC support prices and world market prices. The ad valorem tariff equivalents of support - as measured by the difference between entry price and world price - for various commodities in the EEC are shown in Table 2. From the low levels of 1974/75, there has been a sharp rise in the tariff equivalents. Given that 1974 and 1975 were years of high world prices for many of these commodities, notably grains and sugar, this is to be expected. Indeed, in some instances, support prices in the EEC were lower than world market prices. Nonetheless, the rise in tariff equivalents since 1975 has been notable for cereals and sugar, while support of other commodities, especially dairy products and beef and veal, has remained very high.

TABLE 2 - AD VALOREM TARIFF EQUIVALENTS IN THE IN THE EEC

	1974/75	1975/76	1976/77	1977/78
	(. . . . . percent. . . . . .)			
Soft wheat	7	24	104	116
Hard wheat	20	45	...	...
Husked rice	-19	37	66	29
Barley	7	17	47	106
Maize	6	28	63	103
White sugar	-59	9	76	155
Beef and veal	62	96	92	96
Pigmeat 1/	9	13	25	37
Butter	216	220	301	288
Skimmed milk powder	39	166	471	394
Oilseeds	-20	27	21	53

1/ Calendar year of first year in each column

Source: Eurostat, Yearbook of Agricultural Statistics 1974-77, Statistical Office of the European Communities, September 1978.

In the United States, no protection has been afforded to production of cereals in recent years, reflecting its position as the world's major exporter; producer support in these commodities has been restricted to occasional deficiency payments and disaster payments. But in sugar and some livestock products, there has been a tendency towards greater protection in recent years. For example, the rate of import duty for raw sugar was first trebled late in 1976 to 1.875 U.S. cents per lb, then further raised by 50 percent to 2.8125 U.S. cents per lb in 1978. Additionally, an ad valorem tax, applied on a sliding scale of up to a maximum of 3.3 U.S. cents per lb, was introduced from January 1978, with the objective of raising the cost of imported raw sugar to 13.5 U.S. cents. Early in 1979, the system was changed again to comply with an increase in the domestic price objective to 15 U.S. cents per lb, through the fixed duty of 2.8125 U.S. cents per lb, plus a quarterly adjustment of the variable tariff based on a 20-day average of the International Sugar Agreement daily price towards the end of the preceding quarter. This was reduced to zero from October 1979 following increases in the world market price.

In making comparisons of levels and trends in support, between countries and over time, the differences in absolute price levels, rates of inflation and trends in currency exchange rates need to be borne in mind. The average level of farm support prices adopted for 1978/79 in the EEC, increased by 2.1 percent in terms of units of account. For example, the guide price for slaughter cattle was raised by 2.5 percent and the basic price for pigmeat by 2 percent. However, in terms of national currencies (i.e. taking into account changes in "green" currency exchange rates) the increases varied substantially between Member States. In France and the United Kingdom, the average increase in support prices was around 10.5 percent and, in Italy, 14 percent. By contrast, the average increase in the Federal Republic of Germany was less than 2 percent. Producer prices in some other western European countries are higher than in the EEC when expressed in a common currency (the U.S. dollar) for comparative purposes. In Switzerland, for example, the target prices of milk and cattle by 1978 were nearly double those of the EEC, expressed in U.S. dollars, while the price disparity was even greater for pigs. However, in terms of Swiss francs, the milk price had barely increased and the target prices for livestock had not changed at all since 1975. Other illustrative comparisons of trends and levels of national prices for milk are shown in Table 3.

TABLE 3 - MILK PRODUCER PRICES IN SELECTED COUNTRIES, 1975-78

	Change in price 1975 to 1978 1/	Price in 1978
	(. .percent. .)	(U.S.$/ 100 kg)
New Zealand 2/	29	8.32
Australia 3/	32	11.66
United States	21	23.25
Canada	13	21.88
Japan	11	48.55
EEC target price	(50)	(27.17)
France	26	21.47
Germany, F.R.	11	27.38
United Kingdom	35	18.62
Finland	48	30.75
Spain	38	22.34
Sweden	36	34.52
Switzerland	2	42.34

1/ In national currency. Units of account for EEC target price.

2/ Years beginning June of year shown, manu-manufacturing milk.

3/ Years ending June of year shown.

Source: FAO.

TABLE 4 - PRODUCER SUBSIDY EQUIVALENT AND ADDITIONAL CONSUMER COSTS DUE TO POLICY INTERVENTIONS

	Producer subsidy equivalent			Additional consumer cost equivalent		
	1976	1977	1978	1976	1977	1978
	(. . . . . U.S.$/ton. . . . .)					
United States						
Wheat	2.5	18.0	12.6	-0.5	-0.1	...
Milk and milk products 1/	80.5	98.5	51.0	77.6	96.1	48.4
Sugar (raw equivalent)	21.1	61.7	149.0	22.5	45.0	132.2
EEC						
Wheat	35.9	109.1	134.6	35.9	109.1	134.6
Milk and milk products 1/	168.0	194.5	210.7	154.3	177.6	188.3
Sugar (white equivalent)	75.6	245.4	398.6	59.8	182.2	259.4
Japan						
Rice	679.6	836.3	1 105.5	506.7	682.9	922.4
Milk and milk products 1/	199.9	234.6	309.6	165.1	192.4	266.8

1/ Milk equivalent

Source: FAO estimates, based on methodology developed in Agricultural Protection and Stabilization Policies: A Framework of Measurement in the Context of Agricultural Adjustment, document C 75/LIM/2, FAO, October 1975.

TABLE 5 - BENEFITS TO PRODUCERS AND COSTS TO CONSUMERS DUE TO POLICY INTERVENTION

	Producer benefits			Consumer costs		
	1976	1977	1978	1976	1977	1978
	(. . . . . .billion U.S.$. . . . . .)					
United States						
Wheat	0.1	1.0	0.6	-	-	-
Milk and milk products	4.4	5.5	2.8	4.2	5.4	2.7
Sugar	0.1	0.3	0.8	0.2	0.4	1.2
EEC						
Wheat	1.2	3.9	4.8	1.2	3.7	4.7
Milk and milk products	15.7	18.7	20.8	14.4	17.1	18.6
Sugar	0.7	2.4	4.3	0.7	2.2	3.7
Japan						
Rice	8.0	11.0	13.9	6.0	7.9	10.6
Milk and milk products	0.8	1.1	1.5	0.7	0.9	1.2

Source: See Table 4.

Producer subsidies and increasing consumer costs

The overall tendency has been for national producer prices in the developed countries to become increasingly divorced from world market prices in recent years. In turn, this has promoted costly output which would not have occurred otherwise. The same tendency has also depressed consumption, by raising prices to consumers. Estimates of the unit value of subsidies to producers, and of the effects on consumer costs arising from support policies in selected countries, are shown in Table 4. Corresponding estimates of the total value of subsidies to producers attributable to policy interventions in these countries are shown in Table 5, together with estimates of the overall costs borne by consumers as a result of these policies. The figures show substantial increases in six of the eight examples in the producer subsidy equivalent - and in costs to consumers - during the past three years. The value of subsidies on sugar to producers in the United States and the EEC combined in 1978, was U.S.$5.1 billion, which even exceeded the total value of sugar exported by the developing countries. The total additional cost borne by consumers, as a result of protectionist policies, was of similar magnitude.

The costs to developing countries

Several recent studies have examined the impact of agricultural protection in the developed countries on the exports of developing countries. The methods used, and the coverage of countries and commodities vary, and thus the results differ. However, all of the estimates point to similar conclusions.

According to one estimate, a 50 percent reduction in the protection afforded to food and processed food and feed commodities in OECD countries, would lead to a $3 billion increase in the annual exports of the 57 most populous developing countries. The increase would amount to about 15 percent of total exports of the 79 commodities included in the analysis. Full trade liberalization in these commodities would approximately double the benefit. The potential gross gains from a 50 percent reduction in protection - expressed in annual flows for the main products concerned - are shown in Table 6. Two thirds of the overall increase in their exports due to liberalization, would be accounted for by sugar, beef and veal and wine. By contrast, coffee, cocoa, tea and bananas combined, would account for less than 10 percent of the potential increase in their exports. Except for wheat, maize, pigmeat, mutton and lamb, barley, wheat flour, soya beans and oats, a large share of the increment in world trade in the covered commodities, would accrue to developing countries.

TABLE 6 - POTENTIAL FOREIGN EXCHANGE BENEFITS TO 57 DEVELOPING COUNTRIES FROM 50 PERCENT REDUCTION OF PROTECTION IN OECD COUNTRIES

Commodity	Increase in value of exports 1/	Percentage increase in value
	(.million $.)	
Raw sugar	659.0	22.6
Beef and veal	590.8	58.7
Wine	495.2	76.7
Refined sugar	222.1	134.4
Green coffee	136.0	2.7
Maize	82.2	7.5
Cocoa butter oil	61.1	24.1
Wheat	57.9	19.1
Pigmeat	53.2	339.7
Tea	49.0	4.8
Molasses	42.6	20.6
Olive oil	38.0	19.7
Groundnut oil	31.6	11.8
Cocoa beans	31.8	2.1
Citrus juice	30.5	35.6
Coconut oil	27.9	8.2
Palm oil	24.7	4.7
Cassava	21.9	3.6
Soy cake	21.6	7.1
Groundnut cake	19.3	7.5
Bananas	18.2	4.2
Barley	16.3	78.2
Coffee extracts, etc.	16.2	8.9
Oranges	15.7	6.5

1/ Valued in 1977 prices.

Source: Study undertaken for FAO: A. Valdes, Trade Liberalization in Agricultural Commodities and the Potential Foreign Exchange Benefits to Developing Countries, IFPRI, 1979.

While the potential gains for developing countries from a reduction in protectionism applied to food and feed commodities by developed countries are substantial, it is estimated that even larger benefits could be achieved through increased processing of agricultural raw materials in developing countries before export. If natural rubber, cotton, jute, hides and skins and timber, at present exported in primary form, underwent intermediate processing in developing countries before export, their gross foreign exchange earnings could at least double, to $13.5 billion

TABLE 7 - ADDITIONAL GROSS FOREIGN EXCHANGE EARNINGS OF DEVELOPING COUNTRIES THROUGH INCREASED PROCESSING BEFORE EXPORT

Primary commodity		1st processing stage		2nd processing stage	
	Value of exports (1975)		Additional gross earnings		Additional gross earnings
	(.	. . . . .	.million $.	. . . . .	. . . . .)
Natural rubber	1 525	Sheet, plates, tubes	1 300	Rubber tyres	2 000
Cotton	2 091	Grey cotton yarn in bulk	1 300	Woven finished cotton fabrics	2 600
Jute	600 1/	Jute fabrics	80	-	-
Hides and Skins	480	Finished leather	800	-	-
Non-coniferous wood	2 045	Plywood, veneer, sheets, etc.	3 400	-	-
TOTAL	6 741		6 880		4 600

1/ Includes value of semi-processed products.

Source: UNCTAD document TD/229/Supp.2 op cit.

from $6.7 billion, based on 1975 figures (Table 7). Moreover, if the processing of rubber and cotton could be undertaken to a second stage of manufacturing, additional export gains of $4.6 billion could be achieved.

Liberalization of trade alone may not be sufficient to achieve export gains of these magnitudes. Yet, the pervasiveness of restrictions to trade in processed agricultural products, through use of tariff escalation and non-tariff barriers, suggests that protectionism is a major factor limiting faster growth in developing countries' exports of these products. It is against this background that the following sections examine the results of the Multilateral Trade Negotiations (MTNs).

Meagre benefits from liberalization for developing exporting countries

While protectionism has increased for some agricultural commodities, including those such as sugar and meat, which are of substantial export interest to developing countries, some liberalization of trade in their favour has also been achieved for certain products. For example, the coverage of the Generalized System of Preferences (GSP) has been progressively extended in recent years, and additional benefits were implemented during the Tokyo Round of multilateral trade negotiations. In the negotiating Group "Tropical Products", as part of the MTNs, developing countries submitted requests for m.f.n. concessions and GSP contributions from developed countries. Of a total number of 2 220 requests covering agricultural products, concessions and contributions were granted on 1 180 items.

As a result of the MTNs, it is estimated by GATT that the amount of agricultural trade covered by the GSP will increase by about U.S.$0.8 billion, or 20 percent, using 1976 as a base. However, the bulk of this increase - U.S.$0.7 billion - benefitting from extension of GSP schemes, will remain dutiable. Total agricultural imports into the main developed countries from GSP beneficiaries, amounted to U.S.$23.3 billion in 1976. Of this, U.S.$13 billion were dutiable, either on an m.f.n. basis or under GSP. As a result of the MTN concessions and contributions, the latter figure falls to about U.S.$11.7 billion. Nonetheless, 50 percent of the imports by value is still dutiable.

Moreover, it has been noted above, that trade in agricultural and processed agricultural products is hampered not only by tariff but also by non-tariff measures, and by tariff escalation. In the field of quantitative restrictions and import licensing, concessions in the MTNs were granted only on 18 items out of 128 agricultural

items covered by requests 1/

As regards processed products, it has been estimated by UNCTAD 2/ that there might have been some reduction in tariff escalation on semi-manufactured rubber and wood articles and for vegetable oils, manufactured articles of leather, footwear and silk fabrics as the tariff cuts made on these items were greater than those on the corresponding semi-processed or primary products. But for some other products, such as prepared fish, sacks, bags and articles of twine and rope, and jute products, tariff escalation may have increased.

However, even in instances where tariff escalation has been reduced, the effective rates of protection remain in some instances very high, notably on those semi-processed and processed products in which the value added in processing is low, such as vegetable oils. Moreover, tariff escalation, per se, gives a poor indication of the real extent of protection in cases where tariffs are accompanied by quantitative restrictions, such as have been more harshly applied in recent years on textiles and clothing, leather goods and footwear. For example, under the multi-fibre Arrangement, which was extended for four years in 1977, it is estimated that the numerous, additional restrictions will cut back the growth of exports of textiles and clothing from developing countries to only 5 percent per year, less than one third of the annual growth achieved in the previous decade.

Thus, overall, developing exporting countries, potential exporting countries and, indeed, low-cost developed exporting countries, continue to have their export opportunities frustrated by generally high - and in many cases increasing - levels of protection.

The MTNs: limited impact expected on agricultural trade

Objectives, constraints and instruments

In the GATT, agriculture had been virtually excluded for 30 years from the substantial trade liberalization achieved in industrial products. It was only in the Dillon and Kennedy Rounds of GATT negotiations that agriculture was specifically included. However, the failure of the Kennedy Round to come to grips with the non-tariff barriers, made its impact on trade liberalization in agriculture marginal. The Tokyo Round brought the issues of agricultural protectionism to the forefront.

A critical evaluation of the MTNs in the Tokyo Round can be carried out in terms of their objectives, the constraints under which the negotiations were carried out, the instruments that were used to meet the objectives and the actual outcome. This section will highlight the agricultural and related sectors, with emphasis on the developing countries.

The overall objective of the MTNs was to "achieve the expansion and ever-greater liberalization of world trade and improvement in the standard of living and welfare of the people of the world...through the progressive dismantling of obstacles to trade and the improvement of the international framework for the conduct of world trade" 3/. The negotiations were to cover the reduction or elimination of tariffs, non-tariff barriers and other measures that impeded or distorted world trade in both agricultural and industrial products.

For the first time in the MTNs, the problems of developing countries took a prominent place. Specifically for developing countries, the aim of the negotiations was to "secure additional benefits for the international trade of developing countries so as to achieve a substantial increase in their foreign exchange earnings...through, in the largest possible measure, a substantial improvement in the conditions of access for the products of interest to the developing countries and, wherever appropriate, measures designed to attain stable, equitable and remunerative prices for primary products". Moreover, the need for special treatment in favour of the least developed countries was stressed.

1/ *The total number of requests covered some 540 items, but included measures which were no longer applied, measures which had no restrictive effect or which did not affect developing countries, and restraints which were justified by developed participants as being consistent with existing GATT provisions. See GATT, the Tokyo Round of Multilateral Trade Negotiations, Geneva, April 1979. Sales No. GATT/1979-3.*

2/ *UNCTAD V: the processing before export of primary commodities: Areas for further international cooperation. Document TD/229/Supp.2.*

3/ *Declaration of Ministerial Meeting, Tokyo, 12-14 September 1973.*

The explicit inclusion of agriculture, non-tariff barriers and the emphasis on the interests of developing countries, differentiated the Tokyo Round from earlier rounds of negotiations on trade liberalization. Thus, the liberalization of world trade in agricultural commodities and processed products, the negotiations on a multilateral agricultural framework and the acceptance of the need for differential treatment for developing countries, constitute the main benchmarks against which the MTNs can be evaluated.

In an evaluation of the results of the MTNs, two major constraints must be borne in mind. First, disturbed economic conditions caused by inflation, the energy crisis, exchange rate fluctuations, inadequate investment and high unemployment, dominated the whole period of the Tokyo Round. This made the adjustments needed for fulfilling the aspirations of the developing countries more difficult to carry out in some developed countries. Thus the conflict of interests between developed and developing countries was sharpened. Second, the EEC, Japan and the United States account for 60 percent of world merchandise trade, excluding fuels. Therefore, agreement between them was a prerequisite for overall progress in the negotiations. A conflict of interests between developed countries, as witnessed by disagreement on approaches between the United States and the EEC, aggravated the process of negotiation. The United States wanted the negotiations to lead to the liberalization of agricultural trade and increased access to foreign markets for products for which they were efficient producers, while the EEC favoured stabilization of agricultural trade through commodity arrangements which would ensure a high income level for its farmers.

As regards the instruments under negotiation, the tariff cutting formula that was broadly applied would reduce disparities in the most favoured nation (m.f.n.) tariff levels. However, the developing countries were concerned that tariff cuts should not erode the preferential access accorded to them under the GSP. The negotiations on a wide range of non-tariff barriers to trade took two forms. First, there were negotiations to achieve multilateral agreements on codes of conduct whose main aim was to bring more clarity and precision to the relevant GATT provisions and a greater certainty in their application. Second, requests were considered for the removal of specific non-tariff measures.

For certain products, international commodity arrangements with economic provisions were also considered. Given the composition of the main trading partners in the Tokyo Round, the negotiations covered products which were primarily exported by developed countries, i.e. grains, meat and dairy products. Indeed, arrangements on these commodities were intended to contribute a key element in the overall package of results in the agricultural sector. Further, it was considered desirable to provide a mechanism (multilateral agricultural framework), including a consultative body, to monitor the application of the results of the MTns in agriculture, to avoid continuing political and commercial confrontations in this sector and to lead to an improved level of international cooperation among participants.

Results of the negotiations for agriculture

Tariffs

According to preliminary GATT calculations, tariff reductions affect $15 billion of imports of agricultural products into 18 developed countries, including the EEC, out of total m.f.n. imports of $48 billion. The average tariff cut, on the items on which concessions were made, is estimated at 32 percent or 40 percent, depending on the method of calculation.

Of the $15 billion of agricultural trade affected, about 40 percent comprises concessions between the United States and its trading partners:

TABLE 8 - TARIFF CONCESSIONS ON AGRICULTURAL TRADE BETWEEN THE UNITED STATES AND ITS TRADING PARTNERS: VALUE OF TRADE AFFECTED (BILLION $, 1976)

	Developed countries	Developing countries	Total
Concessions granted by U.S.A. to	1.36	1.44	2.80
Concessions received by U.S.A. from	2.89	0.77	3.66
Total	4.25	2.21	6.46

Imports of agricultural products into the 18 developed countries from the developing countries amounted to $23.3 billion in 1976. Of these, nearly one half - $10.3 billion - were already free of duty. As a result of the MTNs, the duty free portion will increase to $11.6 billion, mainly because m.f.n. duties have been eliminated on $1.2 billion of imports. Under the GSP schemes, however, duty free treatment has been accorded only to an additional $0.1 billion of trade. As noted earlier, the bulk of the improvements under GSP took the form of reduced tariffs on dutiable items. Of maximum interest to developing countries were the tariff concessions in "Tropical Products" which had been declared as a "special and priority sector" in the MTNs. However, in agricultural products which fell under this heading, m.f.n. concessions and GSP contributions made by developed countries, covered little more than one half of the requests made by the developing countries. While concessions and contributions were made for all agricultural products, less progress was made in fishery products, honey, un-processed and processed fruits and vegetables, vegetable oils, sugar, sugar products and tobacco.

Overall, although it is estimated that tariffs on agricultural products are to be cut by 32-40 percent on average, the impact on world trade is unlikely to be substantial. First, many of the commodities will remain subject to trade restrictive measures other than tariffs. Secondly, the tariff cuts are to be phased over several years. Thirdly, in some instances, the negotiated cuts relate to the "bound" m.f.n. rates and not to lower tariff rates which have been applied in practice on a unilateral basis.

As regards imports of agricultural products into developed markets from developing countries, the average m.f.n. tariff rate before the MTNs was 7.9 percent or 11.7 percent, depending on the method of calculation. As a result of the negotiations, the average rate is 6.9 percent or 11.0 percent. It appears unlikely that the very small changes in import prices, implied by these reductions, can boost the agricultural exports of the developing countries to any marked extent, especially if account is taken of prevailing wide fluctuations in currency exchange rates and in the prices of many of their principal export commodities.

Codes on non-tariff barriers

Interest therefore focuses on the results of the negotiations on non-tariff measures, particularly the codes on subsidies/countervailing measures, technical barriers to trade, customs valuation, government procurement, import licensing procedures, plus the International Dairy Arrangement and the Bovine Meat Arrangement.

The code on Subsidies/Countervailing Measures prohibits export subsidies by developed countries on non-primary products but would allow developing countries to subsidize exports of their industrial products, subject to this not causing serious prejudice to the trade or production of another signatory. All signatories, however, would agree not to grant export subsidies on primary agricultural, fishery and forestry products which would result in them obtaining more than an equitable share of world export trade in the product concerned. The code, further sets out definitions for determining whether such subsidies result in a "more than equitable share of world export trade". As regards domestic subsidies too, the code lays down guidelines aimed at preventing injury to domestic industry in other countries, again with more liberal provisions applying in the case of subsidies adopted by developing countries.

The aim of the code on Technical Barriers to Trade is not to abolish all restrictions but to remove the unnecessary barriers for both agricultural and industrial products. This is to be attempted through the encouragement of adoption of international standards, dissemination of information and the establishment of a Committee on Technical Barriers to Trade to deal with settlement of disputes and the formulation of the necessary procedures. The code lays down that differential and more favourable treatment would be provided to the developing countries, to prevent unnecessary obstacles to exports from these countries.

The objective of the code on Customs Valuation is to provide for greater uniformity and certainty in the application of systems for the valuation of goods for customs purposes and thus to prevent the use of arbitrary or fictitious valuation. The code will apply in a non-discriminatory way to all countries and, therefore, the special and differential treatment

provided for developing countries is limited. They will, however, be able to delay implementing its provisions for up to five years, and developed countries would furnish technical assistance, such as training, on request. A major shortcoming of the code is that it covers valuation only in cases of ad valorem tariffs and thus excludes exports subject to specific tariffs, variable levies, quotas based on value, internal taxes and charges applied at the border.

The aim of the code on Government Procurement is to ensure greater international competition when governments purchase for their own use. To promote this aim, the code establishes the principles of non-discrimination as between domestic and foreign suppliers. From the developing countries point of view, the main limitation of this code is that it does not adequately differentiate between suppliers from developing countries and other third countries. Technical assistance for developing countries will be provided under the code as deemed appropriate by developed country parties.

Moreover, there is uncertainty regarding the commodity coverage of various provisions because the code applies to government entities which are subject to ongoing negotiations. For example, in the lists of entities included in the coverage of the code by the United States and the EEC, it is stated that the agreement does not apply to procurement of agricultural products made in furtherance of agricultural support programmes or human feeding programmes, but other countries have not excluded specific sectors in their lists.

The code on Import Licensing Procedures aims at ensuring that administrative methods do not distort trade and do take account of the economic development purposes and financial and trade needs of developing countries. While some dispensations are permitted to the developing countries, it should be stressed that the code only covers procedures, not the problems that give rise to the need for procedures - i.e. quotas and other trade restrictions.

While all of the above codes apply to agricultural trade as well as non-agricultural trade, except as otherwise noted, two specific Arrangements on agricultural products were negotiated, namely on dairy products and bovine meat. That on dairy products essentially formalizes, and extends to additional products, the existing arrangements under GATT and OECD, which had established a minimum export price for skimmed and whole milk powder and butterfat. Under the new Arrangement, which sets minimum prices for skimmed milk powder, whole milk powder, buttermilk powder, butter, butter oil and certain cheeses, participants also agree to furnish food aid in dairy products, but not specific quantities. The Arrangement also provides for information exchange and market monitoring, under an International Dairy Products Council, established within the framework of the GATT.

The Arrangement on Bovine Meat similarly provides for information exchange and market monitoring through an International Meat Council which, however, would not have economic powers (e.g. to regulate trade or prices) except to the extent that its decisions would be by concensus. This result is far less binding than the original proposals put forward by several exporting countries.

As noted elsewhere in this Review, the negotiations on a new international grains arrangement, to replact the International Wheat Agreement of 1971 (as extended) and which had been linked to the MTNs, failed to succeed. Within the MTNs, as well, negotiations on a multilateral agricultural framework were not concluded.

The problem of safeguards proved to be one of the most sensitive issues in the Tokyo Round. The existing multilateral safeguard system provides for non-selective, non-discriminatory measures against imports which cause, or threaten to cause, serious injury to domestic producers. However, the proliferation of voluntary export restraints, or orderly marketing arrangements on a discriminatory basis, outside the GATT, had increasingly undermined that system. A number of developed countries wished to give legal recognition to the present practices in a new code, whereas the developing countries wished to maintain the non-discriminatory provisions of the existing GATT Article XIX. Discussions and negotiations on this subject are to continue within the normal framework of the GATT.

Conclusions

Traditionally, agriculture has been highly protected and this situation has been aggravated in recent years by further increases in protection. The costs to producing countries which are denied export markets and to consumers in countries

which heavily protect their agricultural and processing industries, are very high.

The reasons, the forms and the dimensions of agricultural protectionism, together make the problem very complex. For strategic reasons most countries, developed and developing, prefer to maintain a high degree of self-sufficiency in essential commodities. Indeed, the international community accepts that the developing countries should accelerate their food production as the most vital element of their development efforts. It is also recognized that import barriers may be necessary in these countries for balance of payments reasons and to conserve foreign exchange earnings. Yet the constraints on agricultural trade liberalization facing developed countries also need to be borne in mind. Farmers in some of these countries face special problems and difficulties in adjusting. Moreover, agricultural support policies in these countries form an integral part of their general economic policies. If unemployment threatens the industrial sector, it is more difficult to promote policies for the farm sector which could add, at least in the short run, to the problem. If the general level of prices and incomes in an economy is high, it is difficult to pursue policies to reduce the prices and incomes of farmers, even though consumers might benefit from lower prices. In the light of these factors and the current depressed industrial outlook, further progress in trade liberalization in competing products is not likely to be quick.

The framework for conducting international trade does not show major signs of improvement. Bilateral trade arrangements have become and appear likely to become, increasingly important in the future. Voluntary export restraints, orderly marketing arrangements and other devices for market sharing, are unfavourable to the developing countries because of their weak bargaining position. Also, the sensistive issue of safeguards has not yet been resolved. In addition, the complexity of multilateral trade negotiations and the sharply conflicting interests of developed and developing countries make it unlikely that a new, general round of multilateral negotiations will be initiated in the foreseeable future.

The MTNs have been a disappointment to developing countries on a number of counts; up to November 1979, only two developing countries had initialled the procès-verbal drawn up by the Trade Negotiations Committee in April 1979, which lists the negotiated Agreements, Arrangements and Texts. In general, the developing countries have maintained that during the negotiations they were not treated as bargaining partners on an equal footing with the main developed participants and, moreover, that the principle of non-reciprocity, stated in the Ministerial Declaration which initiated the negotiations, was not fully adhered to.

As regards specific outcomes of concern to the developing countries, the trade expanding effects of negotiated tariff reductions on agricultural products appear slight. Although GSP schemes have been improved, considerable scope still remains for expanding their coverage to agricultural products. Moreover, commitments on internal taxes, levied by certain developed countries on imports of some tropical products, were mainly limited merely to agreement not to increase these.

One positive aspect of the MTNs outcome, is that the draft codes do provide for greater clarification and precision of specific guidelines for the conduct of trade and more liberal interpretation and assistance to benefit the developing countries. Also, the provisions of the Texts prepared by the Group "Framework" establish differential and more favourable treatment for developing countries as an integral part of the GATT system. This includes preferential tariff treatment under the GSP and special treatment for the least developed countries.

The fact remains, however, that many of the major barriers which affect trade in agricultural and processed agricultural products are not covered by the codes. In particular, procedures concerned with the elimination or liberalization of quantitative restrictions applied against exports, were dealt with through specific requests and offers. As the Director-General of GATT has noted, "At the conclusion of the negotiations, it was evident that the offers made in response to these requests would leave a large body of such restrictions still intact".

Yet, the conclusion of the MTNs does not necessarily signify the end of, or even a pause in, attempts at trade liberalization. Firstly, the GATT itself provides a continuing forum for building upon the decisions of the MTNs, for example, to improve further the interpretation of the negotiated codes for the benefit of the developing countries. This may be easier to

achieve if the developing countries find it possible to accept the codes and subsequently participate in developing their practical application and interpretation within the GATT.

Secondly, the Protocol Relating to Trade Negotiations Among Developing Countries, which was negotiated under GATT auspices and which entered into force in 1973, has provided for the exchange of tariff and trade concessions between developing countries. So far, 19 countries have signed the Protocol and the concessions exchanged have included agricultural products. Some 50 developing countries are taking part in technical preparations aimed at the initiation of a second round of negotiations in the framework of the Protocol.

Thirdly, the International community has recognized that the pressures towards protectionism must be resisted as far as possible. This is reflected in the agreement reached at UNCTAD V, shortly after the conclusion of the MTNs, to a programme of action for structural adjustment related to trade and policies and measures to deal with the problem of protectionism, as outlined in Chapter I of this Review. This programme of action, if actively followed up, could provide an opportunity for improving the export opportunities of developing countries, particularly in processed and manufactured goods.

Specifically as regards agricultural products, the World Conference on Agrarian Reform and Rural Development, in the context of accelerating rural development, urged in July 1979, for an early and faithful implementation of all commitments aimed at the liberalization of trade and for moving towards the progressive reduction and elimination of tariff and non-tariff barriers to the entry of agricultural and rural products, both raw and processed, of particular interest to developing countries. It also called for an expansion of the Generalized System of Preferences to a wider range of processed and semi-processed products and for the adaptation of systems of open or concealed subsidies for competing synthetic substitutes in order to meet the export needs of developing countries.

Subsequently, the FAO Conference adopted a resolution on Commodity Trade, Protectionism and Agricultural Adjustment, at its Twentieth Session in November 1979. It recommended that all countries, particularly developed countries, refrain - to the maximum extent possible - from imposing any new tariff or non-tariff barriers to the imports of agricultural products, particularly from developing countries, and progressively improve access to their markets, taking into account the Programme of Action as adopted at the WCARRD. Among other measures, the Resolution also urged governments to give further and more urgent consideration to taking action towards the elimination of non-tariff barriers as well as removal of tariffs on tropical products and other commodities of export interest, particularly of developing countries.

Such agreements reflect a common interest of both developed and developing countries, in avoiding self-defeating protectionist measures, which curtail expansion of trade in agricultural products and thus limit the ability of exporting countries to expand their imports of other products, and which also risk the imposition of retaliatory measures. Yet, in the past, when the general industrial and economic climate worsened, with severe industrial unemployment, the resolve to remove obstacles to trade has not always proved as strong as the temptation to resort to inward-looking policies, including those which affect agricultural trade. Thus, positive action on agricultural protectionism in the future will depend heavily on the ability of countries, through harmonization of general economic policies, to promote sustained economic growth.

CHAPTER IV - SPECIAL FEATURE
THE COMMODITY TRADE IMPLICATIONS OF EEC ENLARGEMENT

I. GENERAL ASPECTS

Introduction

The creation of the European Economic Community (EEC) in 1958, the evolution of its common agricultural policy (CAP) during the sixties, and its subsequent enlargement to include Denmark, Ireland and the United Kingdom in 1973, have all been monitored and studied by FAO because of the possible impact of these events on international commodity markets 1/. In May 1979, the EEC and Greece concluded their negotiations over the latter's accession to the Community, now provided for on 1 January 1981. Negotiations are underway with Portugal and Spain, and both expect to join in the early eighties. The eventual enlargement of the Community from nine to twelve Member States 2/ will reinforce its position as one of the major trading blocks in the world (Table 1). Its future policies will lead to new patterns of production and consumption and will encourage intra-Community trade particularly for temperate zone and "Mediterranean" agricultural products. This chapter is consequently devoted to an assessment of the potential commodity trade implications of EEC enlargement.

The total population of the Nine, is about 260 million, while that of the Three is about 55 million (Table 1). Per caput GDP varies considerably, ranging in the Nine from U.S.$9 030 in Denmark in 1977, to U.S.$2 943 in Ireland, and in the Three down to U.S.$1 675 in Portugal

Agriculture, forestry and fishing in Greece, Portugal and Spain

Of the Three, Spain's land mass is by far the greatest and its agricultural output the most important. About 40 percent of the land area in Spain is cultivated, with annual crops, mainly cereals, covering roughly 75 percent of the cultivated area. The permanent crops are mainly citrus, vineyards, olives and other tree fruit. Because of topographic, climatic and soil limitations, no further expansion of the net cultivated area is expected. The permanently irrigated area amounts to about 2.6 million hectares (6 percent of total cultivated area) and this is being increased by some 50 000 hectares per year. An important region for expansion is the Segura river basin which will be particularly suited to orchards and the production of early vegetables. The productive forest area covers about one fifth of the territory and in addition there are some 4 million hectares of unproductive brushwood and thickets.

Greece is typified by its rugged terrain with mountains reaching down to the sea, and its many islands. The area of cultivable land is limited. Some 900 000 hectares (8 percent of total cultivated area) are irrigated and, although the country's water resources are limited, the irrigated area is likely to be increased by some 30 000 hectares per year in the future. The main crops grown under irrigation are maize, cotton, orchard fruits, citrus, potatoes, rice and alfalfa. The permanent pasture is mainly located in the mountainous regions, some of which can experience severe winters, and have often been overgrazed.

1/ Published studies include: Agricultural Commodities and the European Common Market (FAO Commodity Series, Bulletin No.29), Rome 1957; Agricultural Commodities and the European Common Market (FAO Commodity Policy Studies, No.13), Rome 1962; Agricultural Commodities and the European Economic Community (document E/Conf.46/45) Rome 1964; and Implications of the Possible Enlargement of the EEC for Agricultural Commodity Projections, 1970-1980 (document CCP 72/WP.6), Rome 1971.

2/ Referred to in this chapter as the Nine (or EEC-9): Belgium, Denmark, Federal Republic of Germany, France, Ireland, Italy, Luxembourg, the Netherlands, United Kingdom; and the Three: Greece, Portugal and Spain.

TABLE 1 - BASIC DATA, 1977

	EEC-9	Greece	Portugal	Spain	Total Three	Total Twelve
Population ('000) 1/	259 279	9 280	8 842	35 959	54 081	313 360
Total GDP (million U.S. U.S. dollars) 1/	1 581 264	27 207	16 302	115 590	159 099	1 740 363
Per caput GDP (U.S. dollars)	6 103	2 932	1 675	3 180	2 874	5 534
Share of world total imports 2/						
Including intra-EEC 3/	33.8	0.6	0.4	1.5	2.5	36.3
Excluding intra-EEC-12 3/	16.4	0.3	0.2	1.0	1.5	17.9
Share of world total agricultural imports 2/						
Including intra-EEC 3/	39.9	0.5	0.7	2.0	3.2	43.1
Excluding intra-EEC-12 3/	19.7	0.4	0.6	1.7	2.6	22.3

Sources: 1/ UN Monthly bulletin of Statistics.
2/ FAO Trade Yearbook, 1977.
3/ OECD Trade by Commodities, 1977.

In Portugal, 56 percent of the land area is cultivated. Annual crops such as wheat, barley and oats, are mainly located in the south and cover some 30 percent of the land area. The northern parts of the country are mountainous with a relatively cool climate and little available agricultural land. The whole country suffers from a summer water shortage. Some 700 000 hectares (10 percent of total cultivated area) are irrigated, but this area is increasing by only about 4 000 hectares per year. Productive forests occupy 30 percent of the land area and forest products make an important contribution to the economy and to the export trade of the country. Cork is an important forest product, the only one that could be included in the CAP, in accordance with the Treaty of Rome.

In all three countries, fishing is of relatively more importance in employment and diet than in the Nine. All Three have had distant water fisheries but the Mediterranean is typified by the use of many small boats plying from a large number of ports and with small landings per boat, but of high value.

In comparison with the EEC-9, the enlarged Community will have a farmed area nearly 50 percent larger, and an agricultural workforce more than 50 percent more numerous. In the Three, the type of agriculture and the range of products more closely resembles that of Italy and southern France, than of the EEC as a whole. However, there are differences between their agricultural sectors, and all the Three produce a range of products which are not normally thought of as "Mediterranean" produce. Thus, although vineyards, olive groves, citrus and other fruit orchards, and vegetables, are important - and in the Canary Islands bananas are a significant crop - all the Three devote a large area to cereal production. Greece is a net exporter of wheat, and both Greece and Spain have become self-sufficient in sugar. The production

TABLE 2 - LAND USE AND EMPLOYMENT

1976

	Greece	Portugal	Spain	EEC-9	EEC-12
Land use	(. . . . . million hectares. . . . .)				
Total land area	13.1	9.2	50.0	150.4	222.6
Arable	2.9	3.0	15.7	46.3	67.9
Permanent crops	1.0	0.6	5.0	5.2	11.8
Permanent pasture	5.3	0.5	10.9	42.3	59.0
Productive forests	2.5	3.0	10.0	30.0	45.5
Proportion of total workforce employed in:	(. . . . . percent . . . . .)				
Agriculture, Forestry and Fishing	28.8	29.0	20.5	7.5	10.3
Proportion of national income arising in:	(. . . . . percent. . . . .)				
Agriculture	16.0	11.9	8.7	3.9	4.5
Forestry	0.4	2.0	1.1	0.8	0.9
Fishing	0.3	0.5	0.6	0.1	0.2

of animal products is rapidly growing in importance.

None the less, their major imports are cereals and oilseeds - for livestock feed - and animal products; and their major exports are fruit and vegetables, wine and, in the case of Greece, tobacco (table 3). On balance, Greece has an export surplus of agricultural products whilst Spain is a net importer, and Portugal is heavily dependent upon imports. However, Greece has a trade deficit in fish and forestry products, whilst Portugal, although a net importer of fish, is a net exporter of forest products. Spain has a significant trade deficit in forest products, but is a net exporter of fish products.

EEC policies in outline

There are essentially two aspects of current EEC legislation which are relevant for this study. The provisions of the CAP apply to most farm and fisheries production in the Nine and will do so in the Three: the most important omissions are sheepmeat and potatoes. Trade with third countries in all non CAP products, is conditioned by the Common Customs Tariff (CCT) and the various preferential trading arrangements entered into by the EEC. The only specific economic measure relating to forestry is a recently adopted reafforestation policy for the Mediterranean region. Although the CAP does have a common structural policy, partly financed out of community funds, its main sphere of activity lies in price support.

The provisions of the CAP vary from commodity to commodity, through three broad categories can be identified. For cereals, sugar, olive oil, milk products, beef and pigmeat, an intervention mechanism supports the market price through a variety of mandatory or optional operations such as public purchase (intervention buying), private storage aids, subsidies to lower the price to consumers, and premiums to encourage the use of the product in alternative outlets (typically

animal feed). Exports to third countries are normally subsidised, and imports are subject to a variable import levy. The levy can be varied at short notice and is designed to bring the landed price of imports up to the threshold price. The latter is above the intervention price, and the EEC market price usually varies between the two. Intervention and threshold prices are fixed by the Council of the EEC on an annual basis. Under most market conditions imports supply any residual demand after EEC production has been absorbed, and - other than outlined above - any excess of supply over demand is exported.

For fruit and vegetables, wine and some fish products, the protective mechanism appears to be less defensive, though countervailing duties can be applied if reference (minimum import) prices are not respected. Provisions exist for withdrawing produce from the market but the withdrawal price is usually low.

Oilseeds and derived products and tobacco form the third category. The Nine have only a relatively low self-sufficiency ratio in these products. They give direct aids to encourage domestic production. Imports of oilseeds and meals are free of tariffs 1/.

The availability of these products (and also cassava) at world market prices has posed particular problems for the CAP. The oils are competitively priced in relation to highly priced EEC olive oil and (in the form of margarine) butter. Protein meals combined with cassava have substituted for cereals in animal feed and have consequently reduced the outlet for high priced EEC cereals. The availability of cheap oilmeals has provided an incentive to EEC milk producers to feed for a higher yield. However, the high guaranteed price of skim milk powder, in relation to that of imported soya bean meal, means that large subsidies must be given to justify using skim milk in feeds. These modifications to consumption patterns generated by differences in the CAP's protective mechanism have been reflected in trade flows: the EEC's soya bean, and more recently cassava, imports have increased rapidly. In 1978 the EEC imported, and Thailand exported, about 90 percent of world cassava trade, virtually all of which was destined for use as animal feed.

The CAP's protective mechanism has been relaxed in two significant respects. A special arrangement on sugar provides for the import of 1.4 million metric tons of raw sugar at a guaranteed price, mainly from traditional suppliers to the United Kingdom. New Zealand has also had a guaranteed quantity and price for certain milk products in the United Kingdom market.

The other trading arrangements entered into by the EEC include the General System of Preferences (GSP); the Lomé Convention with the ACP (African, Caribbean and Pacific) States in addition to the sugar protocol mentioned above, the second of which is due to come into operation in 1980; and various bilateral arrangements with countries bordering the Mediterranean (including Greece, Portugal and Spain). Of the commodities covered in this chapter, these arrangements have mainly concerned tropical products, fruit, vegetables, tobacco, wine, vegetable oils and forest products.

Changes that might be expected on enlargement

Enlargement will directly affect trade flows in two ways. First the changes in price and in marketing regimes following adoption of the CAP and the CCT will lead to a new pattern of output and consumption (principally in the Three, but possible also in the Nine) which will affect the net trade requirements of each of the Member States. A summary of the real price changes for CAP products assumed for the purposes of this study is given in table 4. Secondly the import levy/export subsidy regime applied to most CAP products and the provisions of the CCT can be expected to encourage a switch to intra-Community trade from with third countries. However, as the Three adopt the EEC's preferential trading arrangements they may increase their trade with certain third countries at the expense of traditional trading partners.

1/ *A number of other agricultural products, including hops, seeds, silk, flax and hemp which receive also support under the CAP, have not been considered here because of their relative insignificance in total agricultural output. On the other hand, poultry products and ornamental plants and flowers do not receive any CAP support.*

TABLE 3 - SUMMARY OF TRADE FLOWS, BY VALUE, 1977

	GREECE				PORTUGAL				SPAIN			
	Imports		Exports		Imports		Exports		Imports		Exports	
	Total	EEC-12	Total	EEC-12	Total	EEC-12	Total	EEC-12	Total	EEC-12	Total	EEC-12
	(. . . . . million U.S. dollars) . . . . . .)											
Agricultural products (total)	816.5	238.6	973.0	440.9	1 100.6	187.6	266.1	130.1	3 178.5	467.9	2 028.6	241.7
- animal products 1/	263.5	72.3	8.3	1.2	86.6	24.7	4.1	0.4	202.9	75.2	56.2	13.1
- cereals and feedstuffs 2/	185.2	39.2	64.6	6.6	355.9	32.5	6.7	0.8	708.8	30.0	107.1	57.3
- oilseeds	28.4	0.3	2.2	0.6	132.3	0.7	0.1	-	553.5	0.9	4.9	4.1
- sugar	1.7	1.6	12.2	1.9	66.4	2.0	8.7	0.7	83.9	10.3	27.9	8.8
- fruit and vegetables	15.7	7.3	588.0	350.3	63.5	41.4	83.2	37.1	130.8	39.2	1 125.5	827.0
- coffee, tea, cocoa, spices	96.9	11.6	6.1	3.0	64.8	0.9	0.5	0.2	598.8	10.2	99.5	50.1
- beverages and tobacco	14.1	11.5	191.0	54.4	19.2	6.2	136.2	75.8	244.6	54.4	289.1	153.2
- animal and vegetable oils and fats	13.6	10.5	11.6	2.8	23.7	6.1	9.0	3.7	85.7	18.3	221.9	65.7
- agr. raw materials 3/	197.4	83.3	89.0	20.1	288.2	73.1	17.6	11.4	569.5	229.4	96.5	62.4
Fish and fish preparations	35.8	12.3	12.3	8.7	86.6	8.5	79.0	8.5	155.8	58.7	233.1	87.1
Forestry products	207.3	2.4	22.1	9.4	130.0	26.0	184.0	139.0	565.3	85.2	59.8	37.3

1/ SITC 00; 01; 02.
2/ SITC 04; 08; 09
3/ SITC 21; Ex 23; 26; 29

Sources: FAO Trade Yearbook 1979
OECD, Trade by Commodities: Imports 1977
UN, Commodity Trade by Statistics, 1977

TABLE 4 - SUMMARY INDICES OF PRICE DIFFERENCES BETWEEN THE EEC AND THE THREE IN A RECENT PERIOD (EEC = 100)

Commodities	Period	Greece	Portugal	Spain	Remarks
Wheat :					
- Soft	1976/77-1978/79 average	88	84	84	Intervention price EEC, support prices in Greece, Portugal and Spain
- Durum	" " "	82	-	68	Intervention price EEC, support prices in Greece and Spain
Barley	" " "	93	82	68	Intervention price EEC, support prices in Greece, Portugal and Spain
Maize	" " "	99	107	92	Idem
Oats	" " "	-	58	57	Threshold price EEC, support prices in Portugal and Spain
Rye	" " "	-	76	70	Idem
Rice, paddy	" " "	93	71	77	Intervention price EEC, producer prices in Spain and guaranteed prices in Greece and Portugal
Cattle	1976-78 average	85	89	97	Livestock Market Prices EEC, producer prices in Greece, Portugal and Spain
Sheep and Lambs	"	108	79	79	Idem
Pigs	"	109	105	81	Idem
Poultry	"	97	116	90	Idem
Milk and cow	"	91	100	91	Target price EEC, producer prices in Greece, Portugal and Spain
Oranges	1974/75-1976/77 average	71	200	83	EEC buying-in price, producer prices in Greece, Portugal and Spain
Tangerines	" " "	91	143	87	Idem
Lemons	" " "	100	200	125	Idem
Feed-maize	1976-78 average	67	59	71	Threshold price EEC, maize prices to feeders Spain and Portugal, feedgrains prices to feeders Greece

Source: EEC Commission, FAO

Of the various indirect effects of enlargement only that arising from an increased rate of economic growth in the Three has been incorporated in the study, resulting in a slight increase in demand for many products. Enlargement will also result in a changed political balance within the EEC and a new ranking of policy objectives possibly involving not only the position of the CAP relative to other Community policies, but various priorities within the CAP itself. Such changes cannot be identified. Finally, enlargement will allow some third countries to ask for recompense, within the GATT framework, for export markets lost. Again the outcome cannot be predicted.

Main findings and issues

Much of the discussion to date of the agricultural implications of enlargement has centred upon "Mediterranean" products and the consequences for France and Italy. As such, it has probably been too narrowly focused and too concerned with observed price differences. In general the present exercise confirms that the Three have a cost advantage, vis-à-vis southern France and Italy, but the degree to which they could expand production, because of land and water constraints, is less certain. Whether or not the fears of Italian and French producers (and the expectations of EEC consumers) are correct, will only be confirmed in the market place where quality differentials will be crucial. However, third country suppliers including those with preferential agreements will almost inevitably see their market shares decline. This will particularly affect suppliers in the Mediterranean basin and developing countries in various regions, including both present suppliers to the EEC and those countries that could have hoped to develop a share of the market over the years ahead.

The CAP itself is not a static policy, though it has been treated as such in this analysis. A common policy does not yet exist for mutton and lamb and - to date - national policies prevail. However, as is noted below, if a common policy were to be applied, this could well stimulate sheepmeat production in Spain and Portugal. The initial impact would be the displacement of traditional imports but if these two countries were to become net exporters - perhaps to France - the repercussions could spread wider with, for example, a reduced import of frozen sheepmeat into the United Kingdom.

The analysis has also indicated areas in which the CAP may need to change if it is to adapt to new circumstances. The indications are that, with enlargement, milk production in the Three will expand and they may become more self-sufficient in milk products. The additional quantities produced will be small in relation to the overall EEC surplus, but in view of the severe financial crisis faced by the CAP the direction of change will itself reinforce calls for reform of the EEC's milk policy. However, EEC policies might stimulate the use, by the Three, of skim milk powder, imported from the Nine as animal feed. Such imports could be obtained at the same foreign exchange costs as meal obtained from imported oil-seeds but would reduce the market for the latter.

The enlarged Community will dominate the world olive oil market. The number of trees is unlikely to increase, even in the long run, but improved management techniques will result in some output increase in the Three. The liberalization of the market for competing oils in the Three, which is to be expected, will reduce the market for olive oil. Thus, the export surplus of the enlarged Community will undoubtedly increase and other suppliers in the Mediterranean region will have difficulty in maintaining the position they currently enjoy in the EEC. Under these circumstances it is difficult to see how the EEC could avoid a major revision in policy in the years to come.

In some instances policy changes have been already announced. Thus although the level of aid to be given to cotton producers is not yet known, it is unlikely that the new marketing regime referred to in the Greek Treaty of Accession will do other than maintain or stimulate cotton production in Greece.

The present EEC sugar policy expires in 1980. It will shortly be renegotiated and in view of the currently large surpluses and the high cost of sugar exports to the Community, it may possibly be revised. A new sugar regime may also make appropriate provision for the EEC to adhere to the International Sugar Agreement. Any change affecting the profitability of sugar production may influence output in Greece and Spain as well as in the Nine. In its entry negotiations, the Portuguese Government could seek production quotas in excess of current production in anticipation of a new sugar beet industry, although it is likely to remain a net sugar importer. As a net importer it is likely to compete with United Kingdom refiners for raw ACP sugar.

For wine, citrus and other tree fruits and vegetables, an expansion of output is to be expected in the Three and reduced trade possibilities for third countries will undoubtedly ensue. However, there are natural constraints to an unlimited expansion of these crops as well as quality differentials, consumer preferences and presentational requirements, and traditional trade relations which will militate against a complete diversion of current trade flows to the detriment of competing third country suppliers. The increasing support to the processing of fruit and vegetables is likely to reduce substantially the market opportunities for third countries. Peaches and tomatoes seem to be particular problem commodities in this context. In citrus fruit, the major effect will be on the competing suppliers of mandarins, clementines, satsumas and the like which are likely to suffer from increased supplies from Spain and the gain in their competitiveness. In the field of wine, the market for common table wines from third countries will virtually disappear.

Of all the farm groups within the Three, the livestock sector based on feedgrains would seem to be the one which will be most affected by enlargement. Indications are that there will be a significant rise in feed costs which will substantially cut profitability. One reaction would be to seek for alternative feeds, but this seems unlikely to happen on a substantial scale because of the heavy transport costs of importing and handling bulky substitutes, such as cassava, in countries where the compound feed mills are not located near deep water ports. If, as seems possible, the Three increase their imports of poultry and pigmet this would first benefit producers in the other Member States (which could in turn lead to increased usage of cassava and soybean meal in those countries) and also perhaps eastern European suppliers.

The net effect of these changes in the livestock sector, and those in the cereals sector where production of barley (in Spain) and wheat is expected to expand, is that barley exports will increase and imports of maize will be lower than would otherwise be the case. The enlarged Community could continue as a net importer of coarse grains (mainly maize), but an export surplus of barley may emerge. However, if the change to a greater use of wheat as animal feed were not to occur to the extent expected, then a surplus of wheat would ensue which would have to be exported, whilst maize imports would increase or barley exports would fall.

If there were to be moves to maintain or strengthen the pastoral farming of livestock, this could have a restrictive effect on the forest area. This might be particularly important in Portugal where the expansion of forest production is most active. With entry into the EEC, the growth in forest product exports from Portugal to the Nine and to Spain, could be maintained. The lower price for forest products resulting from the adoption of the EEC tariff structure may be expected to lead to some increase in imports into the Three, particularly from developing countries.

For fishery products the effects of enlargement will be overshadowed by the effects of the new law of the sea. Import demand seems likely to grow, particularly in the Three, but given the problems of production faced by nearly all Community countries this will have to be increasingly satisfied from non-Community sources.

For some of the other products studied, including bananas and tropical beverages, enlargement is likely to have little impact on either the size or direction of trade flows.

Conclusions

In summary, the overall conclusions of this assessment of the commodity trade implications of EEC enlargement are that the enlarged Community will be a more self-sufficient entity than its constituent parts, and that the Twelve will increasingly trade more with each other. Almost all third countries will probably find their export markets reduced.

There is little evidence to suggest that an enlarged Community would provide greater opportunities for preferential imports from ACP countries, or for increased imports from the developing countries in general following extension to the Three of the EEC's present GSP scheme. Only in relatively minor cases, such as tobacco imports into Spain and Portugal, or tropical forest products to the Three, are ACP and GSP countries likely to gain, though even then this will be to the cost of other third country suppliers. Indeed, the evidence seems to suggest that the Three will displace many existing or potential imports from developing countries in the markets of the Nine.

Enlargement will present the Community with new responsibilities and opportunities and its policies will reflect its new position in the world economy. This analysis has indicated some of the problems that could arise for third countries if there is a continuation of existing policies. While a faster rate of economic growth in the Twelve, engendered by enlargement, could stimulate world trade, new policy initiatives on the part of the EEC during the eighties would be needed to offset, or reverse, the potential losses which would otherwise be experienced by third countries.

ASSUMPTIONS AND METHODOLOGY

It was assumed that the Three would adopt existing EEC legislation in its entirety and that no policy changes, other than those provided for in the Greek Treaty of Accession, would be enacted. It was assumed that EEC support prices would remain unchanged in real terms and that the Three would harmonize their prices to these levels. The analysis was focused on 1990, by which date it was assumed that all transitional adjustments would be completed.

For most products, two projections to 1990 were made. The first was an extension of the FAO's previously published 1985 basic projections (details of which can be found in FAO Agricultural Commodity Projections 1975-1985, Rome 1979); and the second took account of the price and policy changes to be expected in the Three and also assumed that their rate of economic growth would be augmented by 10 percent for the whole of the period 1981-1990.

Difficulties were experienced in establishing price comparisons. It is often difficult to find reliable data for comparable products at similar stages in the production process and to interpret the impact of government policies. Agriculture, forestry and fishery were considered in isolation, but enlargement will result in changed conditions in all sectors and may well imply a change in the exchange rate and the general price level. Thus the assumed price changes are speculative and may differ to some extent from other estimates.

For the grain-livestock complex the particular methodology adopted was as follows. The original projections of demand for cereals as animal feedingstuffs were linked to the original projections for livestock production using input/output coefficients. These coefficients took account of recent trends and patterns of feed use by commodity. In the revised projections, which take account of enlargement, the total feed demand was generated from revised livestock projections and the allocation between cereals was based on estimates of how EEC policies and prices could affect feed composition.

II. REVIEW BY INDIVIDUAL COMMODITIES

GRAINS

Recent trends in the Three

Grain cultivation is of major importance in all three countries. Over the past two decades, output expanded in Spain and Greece, but remained stagnant in Portugal until the mid seventies, after which it fell sharply following political and social unrest. Total output of grains in the Three doubled over the past 20 years, expanding at a faster rate than in the Community. In 1975-77, the grain output in the Three equalled 18 percent of EEC-9 production. All of the expansion was due to improvement in yield as the area declined in Portugal and Greece and remained unchanged in Spain. The most important producer is Spain, accounting for almost three quarters of their combined output, followed by Greece with 20 percent. Of total output, wheat and barley in the Three are of about equal importance, each accounting for roughly 40 percent, while maize provides about 15 percent. However, there are some significant differences in the relative importance of individual grains in each of the Three. Wheat ranks first in Greece and Portugal, but is outstripped by barley in Spain. Maize is of lesser importance in Greece and Spain but is the second most important grain in Portugal. Production of oats and rye is relatively important for Portugal but is negligible in the context of total grain output of the Three. The composition of output of the individual grains or the Three together, is not very different to that in the Nine.

Contrary to developments in the Nine, the self-sufficiency in grain in the Three has declined. Net imports of grains into the Three rose from 2.5 million tons at the end of the sixties to almost 10 million tons at present, reflecting a rise in demand not matched by production. For wheat, supply and demand in the Three as a group is roughly balanced in quantitative terms as regular imports into Portugal are largely offset by net exports from Greece. The basic reason for the increased grain imports is the rising demand for coarse grains as animal feed. While all the Three are largely self-sufficient in barley, aggregate imports of maize rose from 3 million tons at the beginning of the current decade to over 7 million tons in 1978. The expansion in imports of sorghum was also remarkable, spiralling from almost nothing in the late sixties to 1 million tons within eight years. Most of the grain imports originate from non-EEC countries, mainly the United States but - for Spain - also Argentina.

Price Support and Trade Policies

Spain operates a grain price support system, similar to that of the EEC. Guaranteed farm and threshold prices are established annually for each type of grain and variable levies are applied to bring the price of imports into line with those of domestic grains. Government policy over the last decade has been directed towards encouraging Spanish wheat growers to switch to coarse grains in an effort to reduce imports of maize. Since 1967 this has resulted in an increase of 1.9 million hectares in the harvested area for barley, while the land under wheat has declined by 1.7 million hectares. Maize production has stagnated. In the past, guaranteed prices have always been below EEC levels, with the exception of maize, for which support prices were close to EEC intervention levels.

Grain production in Portugal is guided by annually determined acquisition prices for wheat and intervention prices for other grains. A Government agency is the monopoly buyer of wheat and the sole importer of all other grains. Guaranteed prices have been consistently below EEC intervention levels during the past five years, with the exception of maize. Food and feed grain consumer prices are fixed by the Government and are partly subsidized.

Greece sets annual intervention prices which were kept relatively stable until 1972 after which they were increased substantially in response to short supplies in the world market. As a result, Greece has recently become a net exporter of about 500 000 tons of wheat per annum which have been sold on the international market at highly subsidize prices. Greek intervention prices for wheat and barley during the past four to five years have been very close to EEC intervention levels, while those for maize exceeded corresponding EEC prices. Since 1970 the government has operated a grain subsidy programme for livestock and poultry feeding.

Effects of Enlargement

Wheat projections for the EEC-9 suggest that production could rise by 9 million tons between 1975-77 and 1990, reflecting partly a further expansion in the cultivation of high yielding varieties of low baking quality. Production would rise much faster than projected domestic demand as increased feed use is expected to be partly offset by a decline in human consumption. A large portion - roughly 7 million tons - of the

expansion in output will probably become available for export.

The original projections for the Three indicated an even faster growth rate in wheat production than in the Nine. Moreover, as support prices of wheat in all of the Three are below the EEC intervention level, the alignment of prices due to enlargement may well stimulate production further. Most of the foreseen increase would result from higher yields due to greater usage of inputs, and improved cultivation techniques. A significant portion of wheat production is likely to be used for animal feed, where it may rise to levels comparable with the Nine (almost one third of total wheat output by 1990). Greece is likely to remain a net exporter of some 500 000 tons, while Spain may have a surplus of 100 000 to 200 000 tons. The net trade position of the Twelve is, therefore, foreseen to show a somewhat higher export surplus than the EEC-9. Their projected net exports could rise up to 8 million tons by 1990 compared with 600 000 tons in 1975-77 and today's exports of 2-3 million tons.

Coarse grain output in the Nine is projected to increase from 59 to 70 million tons between 1975-77 and 1990. The expansion is expected to consist of 9 million tons of barley and 5 million tons of maize, partly offset by falls in the output of oats, rye and mixed grains. Almost all of the expansion will be required to satisfy rising feed demand and net imports from third countries in 1990 are expected to remain at 1975-77 levels of 16 million tons, of which maize alone could amount to some 14 million tons.

The projections for the Three suggest that their aggregate output of coarse grains would rise from 11 million tons in 1975-77 to 17 million tons in 1990. The expansion would consist of 4 million tons of barley and one million tons of maize, with minor increases in oats, millet and sorghum. For barley, production in Spain alone would rise from 6 to almost 10 million tons. These projections, however, may prove to be conservative in view of the enlargement. In Spain, support prices for barley in the past have continuously been about 30 percent below EEC intervention levels: the alignment to EEC prices would create additional incentives to expand production faster, possibly to 11 million tons by 1990. Such expansion would be largely achieved through greater use of modern inputs as yields are still low compared with Italy or France. For Greece and Portugal, the original barley projections to 1990 are unlikely to change much as a result of accession since support prices in Greece are practically equal to EEC intervention levels and production in Portugal is expected to remain relatively unimportant.

Prospects for a rapid expansion of maize output in the Three seem to be less promising as support prices in Portugal are already above, and in Greece roughly equal to, those of the EEC. Only in Spain are guaranteed prices lower than Community intervention levels, but the increase in production is likely to be limited in irrigated areas as maize will have to compete with other summer crops which may give higher returns.

Total demand for coarse grains in the Three, according to the projections, is expected to increase from 17 million tons in 1975-77 to almost 21 million tons by 1990, exclusively on account of larger feed use. However, enlargement will probably result in a slower growth in meat production (particularly pigs and poultry) in the Three. Also their utilization of wheat for animal feeding is expected to increase rapidly. Demand for coarse grains for feeding purposes in the Three may therefore increase only modestly, possibly by only 1-2 million tons between 1975-77 and 1990. The demand for maize for feed use is expected to be much smaller than projected, and imports may fall even below the 1975-77 level of 5 million tons. The expanded production of barley (about 4 million tons) would not be absorbed by an increase in domestic demand in the Three so that all of it would probably be available for export.

The enlarged Community is projected to remain an important net importer of coarse grains, particularly maize. If current price relationships are maintained, however, there may be an export surplus of 2-3 million tons of barley by 1990. Net imports of coarse grains are projected at 16 million tons, rather than 20 million tons without enlargement.

As a consequence of the enlargement, the combined production of wheat and coarse grains in the Twelve is projected to be about 2 million tons higher than would otherwise occur. Enlargement is also likely to reduce the demand for feed grains by one million tons, due to the slower growth projected for animal production in

TABLE 5 - GRAINS - EFFECT OF ENLARGEMENT ON 1990 PROJECTIONS OF DEMAND, PRODUCTION AND TRADE

	Wheat			Coarse grains			Total grains		
	Total of the 9	Total of the 3	Total of the 12	Total of the 9	Total of the 3	Total of the 12	Total of the 9	Total of the 3	Total of the 12
	(.			. . . . million tons			. . . . .		. . . . .)
Base Period 1975-77									
Production	39	7	46	59	11	70	98	18	116
Net Trade	- 1	0	- 1	16	6	22	15	6	21
Demand Total	38	7	45	75	17	92	113	24	137
Feed	10	0	10	58	15	73	68	15	83
Other	28	7	35	17	2	19	45	9	54
Original Projections to 1990 (without enlargement)									
Production	48	9	57	70	17	87	118	26	144
Net Trade	- 7	- 1	- 8	16	4	20	9	3	12
Demand Total	41	8	49	86	21	107	127	29	156
Feed	15	1	16	68	19	87	83	20	103
Other	26	7	33	18	2	20	44	9	53
Adjusted Projections to 1990 (with enlargement)									
Production	48	10	58	70	18	88	118	28	146
Net Trade	- 7	- 1	- 8	16	0	16	9	0	9
Demand Total	41	9	50	86	19	105	127	28	155
Feed	15	3	18	68	16	84	83	19	102
Other	26	6	32	18	3	21	44	9	53

Note: (-): net exports
(0): less than 500 000 tons

Totals computed from unrounded data

the Three. As a result, net imports by the EEC-12 would amount to 9 million tons by 1990, compared to the 12 million tons originally projected.

While enlargement is not expected to significantly affect the Community's trade position in wheat on the world market, the change in the net trade of the Twelve in coarse grains may have an impact on the exports of third countries, particularly those exporting maize and barley.

RICE

Although rice is a relatively minor crop in both the Nine and the Three, all of the Three do produce rice and Greece and Spain are exporters, albeit of rather small amounts. Over the last two decades, the overall level of production in the Three has not changed significantly, though year-to-year fluctuations have been quite wide, especially in Greece and Portugal. Consumption has been fairly stable at about 6 kg of rice per caput annually in Greece and Spain, and 16-17 kg in Portugal. Spanish rice exports are directed to many countries, particularly in the Mediterranean area, in Latin America and to the EEC-9. Those from Greece are mainly to neighbouring countries.

Rice production is supported in all three countries through guaranteed prices, but at lower levels than in the EEC-9, especially in Portugal and Spain. Trading policies complement production policies. In Greece, exports are regulated through export licences and imports are subject to ad valorem tariffs. In Portugal, there is a ceiling on rice imports and in Spain the volume of exports is set each year by the Government, taking into account the domestic supply situation. Exporters receive subsidies or make payments on rice exports according to external market conditions.

As the existing rice regimes in the Three have many similarities to the EEC policy, no great differences are expected from enlargement. Production will continue to be limited by the fact that rice needs much more scarce irrigation water per ton of output than competing crops.

The original projections suggested a relatively slow increase in production in Spain and more rapid growth in Greece and Portugal, leading to a reduction in the net rice deficit of Portugal and leaving the net surplus of Greece and Spain at about current levels. Adoption of the EEC policy would lead to fairly large price rises, especially in Portugal and Spain, but as the supply elasticities are fairly low, the overall increase in output would be small. As demand elasticities are also rather low, the overall effect on consumption would be limited, although in Portugal demand would be nearly 10 percent lower than as projected at constant prices. The net deficit of the three would be replaced by a small surplus. As the enlarged EEC would still be a small net importer, it is likely than an increased share of Spanish and Greek exports, especially of long grain rice, would go to the EEC-9. Similarly, most of Portugal's deficit would probably be met from the EEC-12 rather than from outside. However, the total effect on trade patterns is likely to be rather small given the limited volumes involved.

TABLE 6 - RICE: EFFECT OF ENTRY INTO THE EEC ON 1990 PROJECTIONS OF DEMAND, PRODUCTION AND TRADE IN THE CANDIDATE MEMBER COUNTRIES

	1975-77 Average			Basic projections to 1990			Effects of EEC prices		
	Production	Consumption	Net Trade	Production	Demand	Net Trade	Production	Demand	Net Trade
	(.			. .Thousand metric tons			. . . . .		.)
Greece	63.5	47.4	-18.4	84	68	-16	89	67	-22
Portugal	83.8	153.1	84.0	117	186	69	130	169	39
Spain	264.9	215.3	-39.0	285	243	-42	296	232	-64
EEC-9	707.9	945.8	222.6	755	829	74	755	829	74
Total EEC-12	1 120.1	1 361.6	249.2	1 241	1 326	85	1 270	1 297	27

MILK AND MILK PRODUCTS

Current situation

Although milk production, processing and consumption has a long tradition in the Three, dairy products contribute considerably less to total agricultural output and food supplies than in the EEC-9. This mainly reflects the ecological conditions which are less favourable for dairying. However, rising standards of living and a rapidly growing tourist industry have resulted in a significant increase in the demand for milk and milk products over the past two decades.

Faced with problems of balance of payments as well as rural underemployment, agricultural policies in all of the Three have in recent years aimed at a substantial expansion of domestic milk production. This policy has included annual rises in milk producer prices at considerably higher rates than in the EEC-9. Nonetheless, in absolute terms, producer prices in Greece and Spain have still been somewhat below the EEC target price. Only in Portugal have they been slightly higher.

The basic dairy policy of Spain, which is by far the largest producer among the Three, is rather similar to that of the EEC, with producer prices supported through restriction of imports and intervention buying of domestic dairy produce. On the contrary, Greece and Portugal, while also restricting imports, apply a deficiency payments system, with producers receiving substantial subsidies on top of the market prices for their milk accompanied, until recently, by a subsidy on feeds in Greece. Hence, consumer prices in Spain - which reflect the full cost of production and marketing - are only moderately lower than in the EEC-9, while those in Greece and even more so in Portugal have been kept substantially below EEC-9 levels, the differential being greatest in the case of liquid milk.

During most of the seventies, production and consumption of milk and milk products in the Three have risen faster than in the EEC-9. While Portugal has had only a small deficit, Spanish net imports of dairy products have decreased in most recent years and are now largely limited to cheese and milk powder. Greece has continued to have a sizeable deficit, with condensed and dried milk and cheese being the principal export items. Traditionally, the overwhelming part of dairy products imports of the Three has come from the EEC-9, although in 1978 their purchases accounted for only about 7 percent of total EEC-9 exports. Small quantities have been shipped by other western and eastern European countries, with virtually no imports from developed or developing countries outside Europe.

Effect of enlargement

The original projections suggest a continuous relatively fast growth of production and consumption in the Three with a further decline in overall net imports. Adoption of the present EEC dairy policy and prices will raise milk producer prices in Greece and Spain, thus enhancing future expansion of milk output. However, as regards demand for milk and milk products for human consumption, EEC entry could lead to some reduction in Spain as compared with the original projections. In Greece and Portugal, the abolition of present national subsidies would raise consumer prices much more. As this would not be completely offset by the application of existing special EEC consumer subsidies, such as on school milk or butter, human consumption would be significantly lower than under the original projections.

On the other hand, livestock producers in the Three would probably take advantage of the EEC subsidies on skim milk and, in particular, skim milk powder. It is not assumed that the use of skim milk powder will reach the same levels - in relation to their output of animal products - as in the EEC-9. However, the currently rather low quantities could increase to some 150 000 to 200 000 tons after full application of the EEC dairy policy. Virtually all this would be imported from other countries in the EEC. On balance, the three countries' total net imports of milk and milk products for human and animal consumption would significantly exceed the levels indicated in the original projections although they would still be lower than in the recent past.

As supplies from the EEC-9 have traditionally accounted for the bulk of dairy products imports of Greece, Spain and Portugal, the liberalisation of trade among the 12 countries would have relatively little direct impact on third country exporters. Indirectly, dairy product exporters outside the EEC might benefit by a relative reduction in EEC dairy surpluses as a result of somewhat higher than originally projected net imports by the Three. However, this reduction will be very small compared with the further growth in the excess of production over demand projected for the EEC-9 on the assumption of a continuation of current policies.

TABLE 7 - ALL MILK: EFFECT OF ENLARGEMENT ON 1990 PROJECTIONS OF DEMAND, PRODUCTION AND TRADE IN THE THREE

	1975-77 Average			Projections to 1990			Effects of EEC prices		
	Production	Consumption	Net Trade	Production	Demand	Net Trade	Production	Demand	Net Trade
	(. . . . . Thousand metric tons . . . . .)								
Greece	1 709	1 988	279	2 715	2 780	65	2 800	2 875	75
Portugal	817	859	42	1 200	1 200	0	1 190	1 250	60
Spain	5 879	6 519	640	7 780	7 800	20	8 075	8 400	325
Total 3	8 405	9 366	961	11 695	11 780	85	12 065	12 525	460
Total 9	101 232	93 981	-7 251	114 145	97 050	-17 095	114 145	97 050	-17 095
Total 12	109 637	103 347	-6 290	125 840	108 830	-17 010	126 210	109 575	-16 635

MEAT

Present situation

Livestock production increased rapidly in the Three during the sixties and seventies. In all the Three, the rapid expansion in beef and veal was based on intensive feeding of calves. Consumption expanded even faster and all were significant importers, the most important suppliers being eastern Europe, Argentina, Uruguay and Australia. In Greece, the fattening of young calves from eastern Europe is important.

Sheepmeat and poultry are of greater relative importance than in the EEC-9. Production of sheep and goats, for which the Three are well suited, expanded relatively rapidly in Greece and Spain from the mid sixties to the mid seventies; however, since then it has been declining in Spain and relatively stable in Greece. Portugal remains largely self-sufficient. Spain in 1978 was a small net exporter. In 1978 Greek imports amounted to 13 500 tons, largely from Argentina and New Zealand.

The most rapid growth in production and per caput consumption has been in pigmeat and poultry. All Three are largely self-sufficient in poultry although Spanish imports have increased in recent years. Spain's pigmeat imports are largely from eastern Europe together with Argentina and Brazil. Portuguese and Greek pigmeat imports are also mainly from eastern Europe.

Price support and trade policies

Governments have adopted highly protectionist policies and financial incentives in the form of guaranteed producer prices and subsidies. Portugal and Greece, both heavily dependent on imported feed grains, have made supplies available at less than local producer prices and in Spain the government has provided a low-priced basic feed mixture.

In both Spain and Portugal, beef imports are undertaken by government agencies although Spain has recently begun to liberalize imports of chilled beef. Greece operated a deficiency payments system for beef and veal until 1979. In all Three, consumer beef prices are controlled and in Portugal a subsidy is paid to slaughterers.

Effects of enlargement

Prices received by beef producers in all Three are lower than in the EEC. However for that part of production which is based on intensive feeding, price increases are likely to be more than offset by increases in feed grain prices after entry. This may be mitigated to some extent by substitution between grains and cheaper substitutes. The net effect will probably be a significant stimulus to beef production in Greece, some disincentive in Spain and little change in Portugal. At the same time, if retail prices increase in line with producer prices and subsidies are discontinued, there could be a much larger increase in the retail beef price in

TABLE 8 - TOTAL MEAT: EFFECT OF ENLARGEMENT ON 1990 PROJECTIONS OF DEMAND, PRODUCTION AND TRADE IN THE THREE

	1975-77 Average			Projections to 1990			Effects of EEC prices		
	Production	Consumption	Net Trade	Production	Demand	Net Trade	Production	Demand	Net Trade
	(.			. . Thousand metric tons			. . . . .		)
BEEF AND VEAL									
Greece	124	193	69	180	215	35	185	185	-
Portugal	84	124	40	125	140	15	120	120	-
Spain	434	487	53	580	650	70	565	685	120
Total 3	642	804	162	885	1 005	120	870	990	120
Total 9	6 475	6 544	69	7 595	7 360	-235	7 595	7 360	-235
Total 12	7 117	7 348	231	8 480	8 365	-115	8 465	8 350	-115
MUTTON AND LAMB									
Greece	118	129	11	135	130	-5	125	140	15
Portugal	22	21	-1	20	25	5	25	20	-5
Spain	146	148	2	130	155	25	150	135	-15
Total 3	286	298	12	285	310	25	300	295	-5
Total 9	502	792	290	610	860	250	610	860	250
Total 12	788	1 090	302	895	1 170	275	910	1 155	245
PIGMEAT									
Greece	110	114	4	180	190	10	145	205	60
Portugal	133	142	9	180	190	10	140	200	60
Spain	662	703	41	900	950	50	870	865	-5
Total 3	905	959	54	1 260	1 330	70	1 155	1 270	115
Total 9	8 515	8 569	54	9 805	9 765	-40	9 805	9 765	-40
Total 12	9 420	9 528	108	11 065	11 095	30	10 960	11 035	75
POULTRY MEAT									
Greece	122	122	-	165	165	-	135	165	30
Portugal	111	111	-	180	180	-	125	220	95
Spain	687	691	4	960	960	-	850	940	90
Total 3	920	924	4	1 305	1 305	-	1 110	1 325	215
Total 9	3 300	3 184	-116	4 365	4 150	-215	4 365	4 150	-215
Total 12	4 220	4 108	-112	5 670	5 455	-215	5 475	5 475	-

Portugal and Greece. This would hold beef consumption at 1975-77 levels and lead to a sharp decrease in beef imports in Portugal and Greece. In Spain, where producer price levels are already similar to EEC levels, production could grow more slowly than if it had remained outside the EEC, while demand could increase more rapidly so that imports double to about 120 000 tons by 1990.

There is as yet no EEC sheepmeat policy and substantial differences exist within the EEC-9. In Portugal, there are guaranteed producer prices and intervention purchases. Spain pays premiums for fattening to certain minimum weights and sometimes makes intervention purchases. Assuming the continuation of national policies a steady decline in Spanish production could be expected with some increase in imports from eastern Europe, Oceania or Argentina. Portugal could remain self-sufficient while Greece could become a small net exporter. On an alternative assumption of free trade in sheepmeat within the EEC, lamb prices in Spain and Portugal could increase substantially. As a result, both Spain and Portugal could become small net exporters.

The increase in feed grain prices will be particularly important for pigmeat and poultry production. Producer prices for pigs in both Greece and Portugal are expected to fall but to increase by over 20 percent in Spain. The decline in prices received by farmers, together with increases of over 50 percent in feed grain prices in both Portugal and Greece will drastically reduce the profitability of such enterprises in these countries and lead to important structural changes. Efficient producers may be able to adjust but further investment in the industry is likely to be limited. Lower retail prices could stimulate demand. Thus import requirements could increase sharply. Current suppliers are mainly eastern European countries; the export surplus of EEC-9 in 1990 would probably be insufficient to cover the requirements of Portugal and Greece and thus there could be an expanded market for third country suppliers.

The profitability of the poultry industries in all Three seems likely to be seriously affected by enlargement. This is particularly the case in Portugal where poultry prices exceed the average level in the EEC. Considerable intra-EEC trade could develop. Demand could expand relatively rapidly, but production in Greece and Portugal is likely to stagnate and in Spain grow much slower than otherwise. If this were to happen, the import requirements of the Three would absorb all of the projected net exports of the EEC-9 with important effects for international trade. The EEC currently exports poultry meat at heavily subsidized prices.

OILSEEDS AND OILS

A. OLIVE OIL

Current situation

In both the EEC-9 and the Three, olive oil has a special place within the fats and oils sector which is reflected in the fact that it is subject to separate policies. However, due to competition from other oils, there is unavoidable interaction between the policies governing olive oil and other commodities in the sector.

For olive oil, the Nine produce about one third of world output (almost all in Italy) and are about 80 percent self-sufficient. Imports, the level of which varies widely from year to year due to seasonal fluctuations in output, have averaged about 100 000 tons in recent years, the main suppliers being Spain and Tunisia with smaller quantities from Greece, Turkey and Morocco. Domestic production in the Nine receives high levels of price support whereas consumer prices are set at a level permitting normal marketing of the olive oil produced, taking account of prices for competing products. The difference between these prices is covered by two subsidies: a "producer aid" (which will only be paid in respect of areas planted prior to October 1978) and a "consumption aid". Imports are subject to a levy, equal to the difference between the import price and the EEC's internal consumption price; but special concessions on levy payments are granted to Tunisia, Morocco, Algeria and Greece, and to a lesser extent, to Spain and Turkey. Export subsidies may be granted to cover the difference between the EEC and world prices.

In the Three, which account for about 50 percent of world olive oil output and about 40 percent of exports, policies for olive oil are more directly integrated with those for other oils. This is particularly so for consumption, for olive oil is favoured by a variety of measures to limit the availability of, and price competition from, cheaper seed oils (consumption quotas, taxes, minimum selling prices, required exports of oils derived from imported oilseeds and other marketing constraints). Olive oil producer prices are significantly lower than in the EEC-9; Spain's

producer price would need to double to reach the level of the EEC-9, while those of Greece and Portugal would be increased by about 50 percent. The difference in consumer prices is not so striking; those in Greece and Portugal appear to be roughly similar to prices in the Nine, although Spanish consumer prices are considerably lower.

Effect of enlargement

The application of the higher EEC support levels for olive oil must be expected to cause some increase in output, particularly in Spain. The limitation of "producer aid" to trees planted prior to October 1978, is likely to limit the expansion in area - which in any case would not affect output much in the period covered by this study - but efforts to increase yields would be highly profitable, particularly in the more fertile olive growing regions of the Three.

The effect of enlargement within the Three may be larger on the side of consumption than of production. Although current EEC policy allows for a more direct link between consumer prices for olive oil and cheaper substitutes than in the past, it would require heavy subsidization to maintain, let alone increase, olive oil consumption in the Three. In addition to causing olive oil prices to rise in Spain, enlargement will liberalize both the availability and price of seed oils.

Under these circumstances, the enlarged Community which, on 1975-77 figures would have been at least self-sufficient and even a net exporter, can be expected to become a larger net exporter. The various bilateral schemes, under which the Nine give preference to Tunisia, Turkey, Morocco and Algeria, are in terms of price (lower import levies) and give no guarantees regarding quantities. If, as suggested above, the enlarged Community becomes a sizeable net exporter of olive oil, the need for imports would cease and the value of the existing import preferences to third countries could disappear.

The enlarged Community would dominate the world olive oil economy as, in recent years, they have accounted for some three quarters of both output and consumption. If, as suggested above, the application of EEC policies to Spain, Greece and Portugal were to increase production in the Three, while decreasing their consumption, this would aggravate an already evident trend in the olive oil economy for supply to exceed demand. Total world production of olive oil averages about 1.6 million tons a year but, after enlargement, the remaining international market for olive oil - which, at about 100 000 tons is relatively small - could become over-supplied. Additional quantities diverted from the Nine by traditional suppliers to those countries and the expected increase in net export availabilities of the enlarged Community might well be sufficient to depress prices. This suggests that the EEC-12 will probably find it necessary to adopt policies to bring its olive oil sector, which although small is of great local importance, into better balance.

B. OTHER OILSEEDS AND OILS

Current situation

Olive oil currently accounts for less than 10 percent of total fats and oils consumption in the EEC-9, but for some 30 percent in the Three. Since, as argued above, olive oil consumption in the Three is likely to be curbed, demand for other oils will probably increase.

In the Nine, oilseeds and all oils and fats other than olive oil and milk fats are available at prices closely related to world market prices.[1/] Producer price support is given to various oilseeds, the most important of which are rapeseed and sunflowerseed, but soybeans, linseed and castorbeans are also supported. Output of these seeds makes only a limited contribution to total supplies and a deficiency payments system ensures that they are available for domestic consumption at world prices.

Similarly in the Three, oils from domestically produced oilseeds make only a limited contribution to total requirements, although several crops receive price support. Thus for sunflowerseed, the EEC support price is about 30 percent higher than in Spain and Portugal while for rapeseed and soybeans, the EEC price is nearly 25 percent higher than that of Spain. Both Spain and Portugal support the price of safflowerseed, a crop not covered by EEC policies. On the consumption side, as mentioned above, the Three use a variety of measures to limit the availability of lower priced seed oils in order to increase demand for olive oil. As the Three import large quantities of soybeans to provide - after crushing - their requirements of oilmeal protein, they export large quantities of soybean oil surplus to current domestic requirements.

1/ The effect of enlargement on oilmeals is summarized in the note on feeds.

TABLE 9 - OILSEEDS, FATS AND OILS - 1975-77 AVERAGE BALANCES

	1975/77 average			
	Production	Consumption	Change in Stocks	Net Trade
	(. . . . . Thousand metric tons . . . . .)			
OLIVE OIL				
Greece	232	204	+ 19	- 9
Portugal	44	42	-	- 2
Spain	393	180	+ 134	- 79
Total 3	669	426	+ 153	- 90
Total 9	454	502	+ 53	+ 101
Total 12	1 123	928	+ 206	+ 11
OTHER FATS AND OILS 1/				
Greece	78	115	-	+ 19
Portugal	44	172	-	+ 124
Spain	234	653	-	+ 261
Total 3	356	940	-	+ 584
Total 9	3 690	7 977	+ 45	+ 4 332
Total 12	4 046	8 917	+ 45	+ 4 916
TOTAL OILS AND FATS 1/				
Greece	310	319	+ 19	+ 28
Portugal	88	214	-	+ 126
Spain	627	833	+ 134	+ 340
Total 3	1 025	1 366	+ 153	+ 494
Total 9	4 144	8 479	+ 98	+ 4 433
Total 12	5 169	9 845	+ 251	+ 4 927

1/ Including the oil equivalent of oilseeds.
Production limited to indigenous output.

The application of EEC support levels for oilseeds could be expected to increase production in the Three, particularly of sunflower and soybeans in Spain. However, the limited availability of land and the relative profitability of alternative crops in the Three makes it difficult to quantify the potential increase. An increase in demand is expected to result from the freer availability of these other oils which will allow the consumer a wider choice of products with a larger price range. The net effect of these changes is expected to be a lower consumption of olive oil and a higher consumption of other, often cheaper, oils. The net result could be an increased level of per caput demand for fats and oils, because of the lower average price level. Thus the Three are expected to consume a larger volume of a wider selection of vegetable oils. Part of this will come from somewhat higher output of domestic oils but the rest will come from imports. However, as noted above, the Three export large quantities of soybean oil, and the application of EEC policies would make this oil freely available for domestic use at world prices. It might be expected that, given the availability and the versatility of this cheaper oil, its domestic use within the Three would increase considerably. Thus, while the Three might import larger quantities of a number of oils such as palm, rape and sunflower, the more noticeable effect on world markets might well be the diminished export supplies of soybean oil.

The extension of ACP preferences to the Three is not likely to bring any significant gain to the developing countries concerned. For products in this commodity group, almost all the ACP's export supplies (except those of palm kernel oil) are taken by the Nine so that, unless quantities available for export can be greatly increased, little gain would result. On the other hand, extension of the EEC's GSP system could give some tariff advantage to other developing countries, but the effect would be relatively minor.

FEEDSTUFFS

Over the past 15 years the use of concentrate feeds has increased three times as fast in the Three as in the EEC-9. For grains used as feed the average annual growth rate between 1962-64 and 1972-74 exceeded 8 percent in Spain, Portugal and Greece, while it was only 2.7 percent in the Community. This dynamic growth was due to a rapid increase in meat and milk production, government subsidization of grain prices and the increased use of compound feeds. Indeed commercial mixed feed output more than doubled in all three countries between 1970 and 1977; by 1977 Spain produced and consumed more compound feed than the United Kingdom.

The Three do not at present import significant quantities of cassava, other "grain replacers", or gluten meal. Portugal used to feed cassava (imported from Angola) to pigs but in recent years annual imports have declined to under 2 000 tons. Spain's imports of cassava are equally small. These two countries' imports of milling by-products are increasing but are still under 10 000 tons in total.

The note on livestock products indicates that after enlargement, livestock producers in the Three could face a cost-price squeeze, and that pig- and poultry-meat production could fall. This seems likely to result in slightly lower requirements for grains for feed use in the Three. Another major effect of enlargement on the grains sector is that there is likely to be a switch from imported coarse grains, particularly maize to a higher usage of domestically produced wheat in line with the current situation in the Nine. It is difficult, however, to be more precise about the feed use of individual grains as this will primarily be determined by relative price changes among grains, and grain substitutes, and in relation to price changes of livestock products.

As a result of higher grain prices, feed compounders could find it advantageous to look for such grain substitutes as cassava, milling by-products and processing by-products in pig and poultry rations, and for gluten meals as well as alfalfa and grass meals in dairy rations. The impact of such a widening of the feed resource base through imports is likely to be greatest near those ports best equipped to receive bulk feed cargoes from North America and Thailand and having large concentrations of pig farms in their vicinity. Such a pattern would be in line with the experience in the EEC-9 where over 80 percent of the grain-replacer and gluten-meal imports are processed into compound feeds, and used within a 100 km radius of only 5 ports, i.e. Rotterdam, Hamburg, Bremen, Antwerp and Le Havre. As the bulk of cassava and by-product meals is incorporated in pig rations, the modest size of the Three's pig population near ports, and the limited cassava and feed meal handling capacities of these ports, could restrict the use of grain substitutes in the Three to a small proportion of the EEC-12 imports.

For oilmeals, the policies of the Three which, like the Nine, import most of their requirements in seed form for domestic crushing, generally allow domestic users to obtain supplies at prices closely related to world prices. The somewhat lower level of demand expected for animal feeds in the Three as a result of enlargement, is likely to be reflected in smaller oilmeal usage. As a large switch to low-protein cereal substitutes is not expected in the Three, this will not provide any boost to oilmeal demand as it has done in the Nine. Indeed, demand for oilmeal protein following enlargement might be even further reduced by the EEC's policy of subsidizing the use of skim milk powder in feeds, as this ingredient tends to be a substitute for oilmeal.

With a continuation of the recently introduced EEC subsidies to producers of feed pulses and lucerne meal, the Three could become significant producers of these commodities. Government policies already favour pasture and fodder development in all of the Three, and higher feed grain prices in Spain, and the more rapid spread of advanced fodder technologies developed in France and Italy, would serve as incentives for pasture improvement and for greater green fodder production.

SUGAR

Current situation and prospects

In Spain and Greece in recent years, modernization and expansion of the sugar industry has led to self-sufficiency, with annual production reaching 1.15 million tons and 316 000 tons white value respectively in the three years ending 1978/79. Consequently, since 1978, Spain has ceased importing and Greece has switched from a net importer to a net exporter and has applied for membership of the International Sugar Agreement. Except for seasonal fluctuations in production, and provided prices are remunerative, there is no reason why these countries should not maintain their self-sufficiency levels through 1990, with domestic consumption projected at 1.38 million tons in Spain and 357 000 tons in Greece.

On the other hand, sugar production in Portugal is limited to a small quantity in the Azores (beet) and Madeira (cane). Portugal imports about 300 000 tons of raw sugar from the free-market for further refining in the country. The possibility of expanding production in the Islands is limited. However, a study to determine the feasibility of establishing a beet sugar industry in peninsular Portugal is reported to be underway.

The EEC sugar regime and the Three

As a result of accession, Greece and Spain, in particular, will have to adjust their sugar policies to comply with the quantitative restrictions and pricing regulations of the CAP. At present in the EEC, the basic production quotas, which are entitled to the full guaranteed price, are based on average production during 1968/69-1972/73 plus 15 percent. Production in excess of these basic "A" quotas, up to a certain percentage 1/, benefits from the common regime but is subject to a production levy not exceeding 30 percent of the intervention price. Output beyond the "A" and "B" quota must be disposed of on the world market at the producer's own risk. It has been agreed that upon Greek accession, the maximum quota (A and B) for sugar production during a recent period which shall not be later than 1978/79. The application of the same criteria for Spain, taking a three year period, could result in a maximum quota roughly in line with current consumption levels. However, the EEC sugar regime will be renegotiated and possibly revised in 1980, in which case the criteria for determining quota levels may be subject to change.

Effects of enlargement

Despite the problems of comparing price levels in different countries, the guaranteed prices for beet in Greece and Spain seem to have been on average above the EEC common minimum beet price during the last five years. However, the difference has tended to decrease with the result that beet prices are now roughly at the EEC level in Greece, or slightly above it in Spain. With enlargement, beet prices for quota "A" sugar will probably remain roughly at the same level in Greece, but will decline slightly from current levels in Spain. On the other hand, prices for quota "B" sugar will be as much as 30 percent below the minimum guaranteed level.

It is difficult to speculate about the likely production of "B" sugar in Spain and

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1/ The relative size of quota "B" is negotiated every year and has varied from 45 percent of the basic quota in 1974/75-1975/76 to 27.5 percent in 1978/79-1979/80.

TABLE 10 - SUGAR: CURRENT AND PROJECTED CONSUMPTION AND PRODUCTION IN THE THREE

Country	Production 1/		Consumption		Production quotas 2/	
	1969-73	1977-79	1979 forecast	1990 projected	"A"	"B"
	(. . . . . thousand tons, white sugar. . . . .)					
Greece	130.6	315.6	285	357	247.5	68.1
Spain	776.5	1 153.7	1 150	1 380	904.9	248.8
Portugal	10.1	10.1	262	360	...	...

1/ Crop years ending on the year shown

2/ Assuming maximum quota equal to 1977-79 average production and the "B" quota fixed at 27.5 percent of the basic quota as at present.

Greece, as only the more efficient producers will take advantage of the "B" quota. Beet sugar yields in Spain have been well below EEClevels and any price reduction may well reduce the incentive for "B" sugar production. In Greece, on the other hand, yields do not differ significantly from EEC levels, but again the price of "B" sugar will fall. Therefore, agreement to fix the maximum quota at current production levels will restrain output in both countries. Under this system, export surpluses are unlikely to be produced except occasionally in very favourable years.

It is possible that mainland Portugal could start producing beet sugar, particularly if on accession support prices were set at a competitive level vis-ã-vis other crops, and depending on the negotiated quota level. However, Portugal will most probably remain a net importer. This would mean that Portugal's accession would imply a complete curtailment of imports from free market suppliers which would relieve the EEC of up to 300 000 tons of surplus sugar per annum. However, considering Portugal's interest in maintaining the existing refining industry, it will be reluctant to import white sugar and will probably have to compete for more than 20 percent of ACP supplies, which at present are mainly purchased by the refining industry in the United Kingdom. At this stage, an increase in ACP quotas seems unlikely and thus refineries in either the United Kingdom or Portugal might have to adjust to reduced raw sugar supplies.

WINE

Current situation and recent trends

The EEC is the world's most important wine producer. It is also the largest consuming market though consumption has recently increased at a much slower rate than production. Nevertheless, it is a net importer of blending or speciality wines, while surpluses of unmarketable EEC wines are distilled. Of the Three, Spain is by far the largest producer. Wine output in Greece has remained stable, while in Portugal output has tended to decrease.

In recent years the EEC's net imports have been reduced to about 1 million hectolitres. Most imports originate in other member states. Of the remainder, more than 3 million hectolitres were imported from the Three, mainly from Spain. Other supplies came from North Africa and Yugoslavia, Hungary and Austria. The Three are net exporters of wine; however, the domestic market represents the most important outlet. At present, exports from the Three to third countries match, or exceed their shipments to the Nine.

Market regulations

In both Spain and Portugal there are market stabilization schemes based on guaranteed prices. In practice, these support mechanisms have been of limited use because market prices exceeded the guaranteed levels. In Greece,no support mechanism has been found necessary. In Spain, a limitation on new planting was introduced following the market crisis of the mid seventies. In Portugal regulations affect the planting of approved varieties, but consideration is also being given to a rationalization programme. In Greece, production controls form part of a quality improvement programme.

In the EEC,subsidies may be given to stimulate exports. In the Three, subsidies do not exist

although as an exceptional measure some assistance has been given to cooperatives in Spain to allow the export of certain surplus wines. As regards imports, there are no quantitative limitations in Greece, while in Spain and Portugal importation is subject to prior authorization. In none of the Three are reference price systems applied, as in the EEC, to protect domestic production by curtailing imports if they do not reach specified minimum entry prices. Import tariffs, though not strictly comparable, are considerably above CCT rates.

Adjustments in national market regulations

With enlargement, the EEC's reference price system will be applied in the Three for imports from third countries. Market prices have only exceeded reference prices during periods of very tight supplies (1972/73 and 1973/74). At the same time wine from the Three will be allowed free entry to EEC markets (as will exports from France and Italy into the Three). However, the Three already benefit from preferential treatment in the EEC markets. Under the EEC-Greece Association Agreement, there are quotas for Greek wine imports at reduced tariff rates. For Spain and Portugal preferential treatment has also been granted for specified quantities of wine, subject to observance of the reference price.

Commodity impact of the enlargement

Enlargement will further enhance the importance of the EEC in the world wine economy. The Twelve will account for about 60 percent of world output, 50 percent of consumption and 70 percent of world exports; and the Community will become a net exporter.

In Spain,the level of guarantee is below that of the EEC's activating prices. Market prices for white wine are below receipts for comparable wines in Italy and France, but for red wine they have exceeded those obtained in Italy and France since 1977/78.

Because of the tight market situation, actual prices received by growers for red wines have exceeded receipts of Community producers since the mid seventies and in Greece, market prices for white wines appear to fluctuate around the levels obtained by growers in Italy and France. The incentives to greater production implied by higher support levels, are thus mainly applicable to Spain. However, new plantings are prohibited in that country, and it can be assumed that restrictions will be maintained so as to facilitate entry negotiations. Moreover, although yields are low, under traditional production conditions and with a prohibition on irrigation, scope for increase is limited. Nonetheless, production in Spain is expected to expand more rapidly than in the basic 1990 projection.

Wine consumption in the Three will not be substantially affected by membership. In the largest market, Spain,consumption levels are high, and per caput intake is expected to grow rather slowly. In Greece, moderate increases are also expected. By contrast, in Portugal, the long-term downward trend is expected to continue. In all three countries, the trend to quality wines (consumed in smaller quantities) may continue, reflecting rising income levels. This would favour not only quality wines produced domestically, but could also stimulate imports from other EEC countries.

Between 1975-77 and 1990, production of wine in EEC-12 is projected to increase by 24 million hectolitres while demand will rise by only 16 million reflecting market saturation in France and Italy. Availabilities in the latter two countries could rise by more than 12 million hectolitres,while in the Three they could rise by about 3 million hectolitres. As a result, competition will intensify and exert a downward pressure on prices. However, this will mainly affect table wines. Market prospects for quality wines may remain favourable.

The Three, and especially Spain, are likely to gain from the liberalization of trade with the Nine, In addition, the Three may benefit from some shift in trade flows, particularly in low priced table wines for blending or for direct consumption. Such shifts would mostly affect suppliers in the Nine which export a considerable proportion of table wines and where production costs are higher. In the longer term, competition within the Community will increasingly be based on quality. Unless the EEC is able to expand exports to third countries, the problems arising from surpluses of table wines will become more pronounced in the enlarged Community. However, if there are more aggressive export programmes, these would badly affect the market prospects of third countries.

TABLE 11 - WINE: EFFECT OF ENTRY INTO THE EEC ON 1990 PROJECTIONS OF PRODUCTION, DEMAND AND TRADE IN THE CANDIDATE MEMBER COUNTRIES

	1975-77 average			Basic projections to 1990			Effects of EEC prices		
	Production	Consumption 1/	Net Trade	Production	Demand 1/	Net Trade	Production	Demand	Net Trade
	(.			... million hectolitres . . .			. . . . .		.)
Greece	4.59	3.13	-0.93	5.5	3.7	-1.4	5.5	3.7	-1.4
Spain	30.99	22.10	-5.47	37.0	27.8	-4.9	39.0	27.8	-6.5
Portugal	10.92	7.11	-1.88	11.5	6.9	-2.5	11.5	6.9	-2.5
EEC-9	150.83	129.72	1.13	164.6	139.9	3.2	164.6	139.9	3.2
EEC-12	197.33	162.06	-7.15	218.6	178.3	-5.7	220.6	178.3	-7.3

1/ Excluding distillation for industry use and market stabilization

Prospects for third country exports to the EEC are likely to deteriorate. Reference prices will continue to be set above market prices, thereby limiting imports. This will have less impact on higher priced quality, or speciality, wines. Although preferences are granted to a number of countries (Algeria, Morocco, Tunisia, Turkey, Cyprus and Malta), these are expected to be of limited benefit in view of the reference price applicable. These countries will, however, have some advantage in exporting quality wines to the EEC as compared to other third country suppliers.

TOBACCO

Production, utilization and trade

The EEC-9 accounts for about 40 percent of world net imports of tobacco. It is only about 30-35 percent self-sufficient, but this ratio has tended to increase since the early seventies. In 1977, the Community imported 530 000 tons of raw tobacco, of which intra-Community trade accounted for about 15 percent. Greece (the only net exporter of the Three) supplied less than 3 percent of the total. Imports from other developed countries amounted to nearly 190 000 tons, major suppliers being the United States, Canada and Bulgaria, while those from developing countries reached 250 000 tons, the most important origins being Brazil, India, the Republic of Korea, Malawi, Thailand, Argentina, Turkey, Indonesia, Paraguay, the Philippines and Tanzania. Community exports and re-exports of unmanufactured leaf are relatively small and amounted to about 70 000 tons in 1977, of which intra-trade accounted for about 70 percent.

Spain and Portugal are net importers of tobacco leaf, their self-sufficiency ratios amounting to 22 and 3 percent, respectively. Greece, on the contrary, is a sizeable exporter, mainly of oriental tobacco, of which it is the world's third largest exporting country after Turkey and Bulgaria.

National market regulations

In both Portugal and peninsular Spain, monopoly organizations buy the entire domestic production at guaranteed prices, control imports and monopolise the manufacture of tobacco products. In the Canary Islands, a different system operates. In Greece, the National Tobacco Board (NTB) guarantees minimum prices for oriental burley and flue-cured leaf and sets leaf purchase quotas for manufacturers. The minimum price for oriental leaf for export is about 30 percent below that for domestic leaf, but growers also receive direct income support. Import tariffs are not levied in Spain, while in Portugal they are considerably higher than the CCT. Unmanufactured tobacco was one of the products covered by the 12 year customs demobilization schedule under the EEC-Greece Association Agreement. However, alignment was not complete and duties are generally above CCT rates. Imports of leaf from EEC

countries are duty free. The NTB may also subsidize leaf exports. In the EEC, the CCT applies but purchasers of domestic leaf receive a premium. Similarly, export subsidies can be given and intervention buying is provided for. Imports from the ACP countries and Turkey are duty free and there is a reduced tariff quota under the GSP.

Impact of Enlargement

Following enlargement, control over tobacco production by the state tobacco monopolies in Spain and Portugal will presumably be abolished. If they retain monopoly control over manufacture, in practice they will remain the most important purchasers and importers.

A large number of tobacco types and grades make price comparisons difficult; however in both Spain and Portugal guaranteed prices seem to be lower than EEC intervention prices, with the exception of those for flue-cured leaf which are at about EEC levels. In Greece, the average minimum price for exportable oriental leaf, taking into account the direct income support, exceeds EEC levels, as does the minimum price for domestic leaf.

Tobacco production is expected to increase only slightly as a result of enlargement. The incentives to expansion exist mainly in Spain and, to a lesser extent, Portugal. In Greece, the alignment of prices will probably result in levels near actual farmers' returns in recent years. Enlargement is expected to have little effect on tobacco consumption in the Three; the increment in income growth assumed to result from enlargement is not such as to make an appreciable difference.

Therefore, as a result of enlargement, tobacco import requirements for the Twelve would be only slightly greater than under the basic projections. Within the Community, Greece will increasingly displace other suppliers of oriental leaf, including Italy, Turkey and Bulgaria. Greek exports of burley leaf to other EEC countries could also increase. However, unlike oriental leaf, the Italian output of burley is said to be suitable for manufacturers' needs as a low nicotine filler leaf. For the importers, Spain and Portugal, the tobacco CAP and the application of Lomé preferences will gradually result in a shift of supply origins, in favour first of other EEC members, and secondly those ACP countries, such as Malawi and Tanzania, which are increasingly exporting suitable quality leaf. The introduction of reduced tariff quotas for developing countries under the GSP could also result in some shift in origins to the disadvantage of countries like the United States, Bulgaria and Rhodesia.

Although the EEC-12 will remain the largest single net importing area for leaf as a whole, for oriental leaf it will become a net exporter. Should world production of this type of leaf continue to exceed demand, substantial export subsidies will be required to maintain shipments to third countries. Unless prices were reduced to discourage production, such a situation would adversely affect export prospects of other supplers of oriental leaf.

TABLE 12 - TOBACCO: EFFECT OF ENTRY INTO THE EEC ON 1990 PROJECTIONS OF PRODUCTION, DEMAND AND TRADE IN THE CANDIDATE MEMBER COUNTRIES

	1975-77 average			Basic projections to 1990			Effects of EEC prices		
	Production	Consumption	Net Trade	Production	Demand	Net Trade	Production	Demand	Net Trade
	(. . . . . thousand metric tons . . . . .)								
Greece	112.3	22.9	-53.1	138	32	-106	138	32	-106
Spain	23.7	105.6	75.0	26	98	72	35	98	63
Portugal	0.4	12.1	8.7	2	13	11	3	13	10
EEC-9	156.0	555.6	398.0	188	591	403	188	591	403
EEC-12	292.4	696.2	428.6	354	734	380	364	734	370

VEGETABLES

Patterns of production, consumption and trade

The Three are important producers of vegetables (some 13 to 14 million tons per annum including watermelons but excluding potatoes), adding about 60 percent to the Community's production. Spain is the most important producer in Europe after Italy. In the EEC-9 and Portugal, production has been rather stable, but in Spain and, to a lesser extent , Greece, has continued to rise in recent years. In Spain,this has been due to an increase in irrigated area, notably in the Levante and South-Eastern part of the country, while in Greece more intensive cropping and increased use of plastic for protection have played a major role. Protection is also gaining importance in Spain, where a total of 20 000 ha. was cultivated under cover in 1975.

The most important vegetable in the Three is tomatoes, accounting for about 40 percent of total output by weight in Greece and Portugal and 30 percent in Spain. In general, the assortment of vegetables grown in Spain is much broader than in the other two countries. The major part of production is consumed fresh, but in each of the Three, substantial quantities (especially tomatoes) are processed. The Three are net exporters of fresh and processed vegetables. In recent years, Spain has shipped over 600 000 tons of fresh vegetables per year and also over 200 000 tons (product weight) of processed vegetables, especially peeled tomatoes, tomato paste, canned artichokes, peppers and asparagus. The major consignees of fresh vegetable exports are EEC countries. Processed vegetables are exported to a vast number of countries but the main recipients include the United Kingdom, Canada, the United States, France and the Federal Republic of Germany. Greek exports of fresh vegetables, more than 95 percent consisting of melons and watermelons, cucumbers and green peppers, show a rising trend. The major part are destined to the Federal Republic of Germany. Greek exports of processed vegetables are also substantial. They consist mainly of tomato products, notably paste, to a large number of countries, including the EEC-9, eastern Europe and various developing countries. Portugal exports and imports relatively small quantities of fresh vegetables but is an important exporter of tomato paste.

In the EEC-9, there are some countries with substantial import requirements for fresh and processed vegetables. Although intra-Community trade is very significant, the deficits are not completely matched by the large surpluses of Italy and the Netherlands, so that on the whole the Community is a net importing area. Consumption of vegetables in the Three is high, totalling over 130 kg. per head per year in Greece and Portugal and 126 kg in Sprin compared with 99 kg in the Nine. The major items in the Three are tomatoes, onions, melons, green peppers and other vegetables cultivated for their fruit, while in the Nine brassicas and pulses are of greater significance, in line with production patterns.

National market regulations

In the Three, production and marketing of vegetables is in general not subject to government regulation except for quality control. In Greece, imports of tomatoes, onions and other vegetables are subject to import licensing and for fresh and processed vegetables Greece has already aligned to the CCT. In Spain and Portugal, import tariffs are low, and in Spain imports are otherwise unrestricted. In Portugal, however, imports are controlled and there is a substantial surcharge in addition to the import tariffs. In all Three, production and processing benefit from government assistance in the form of general development or farm improvement programmes, but with the exception of tomatoes for processing, there is no direct support. In Greece processed tomato production is subject to farmer/processor contracts with minimum guaranteed prices. Exports are assisted by interest rebates on borrowed capital for canning operations. Similar tax rebates having the effect of export subsidies are granted to processors in Spain. Price negotiations between growers and processors are assisted by a government agency whose main fuction is to ensure the setting of fair prices. On special occasions, the Spanish Government also grants direct subsidies to growers. There are no production or export aids for processed tomatoes in Portugal.

The commodity impact of enlargement

Table 14 provides information on the present pattern of imports of selected fresh and processed vegetables in which the EEC-9 has the largest deficits. It shows that for most items enlargement would substantially reduce the present deficits. Moreover, through entry,Spain in particular would

gain in competitiveness. At present, imports from Spain into the Community have to pay the full CCT except on cardoons, broad beans, tomatoes (in January and February), green peppers and parsley for which Spain enjoys limited tariff concessions. Spain also enjoys tariff reductions of 50 percent on a number of processed vegetable products, but not tomato products. Portugal has an annual quota with a 30 percent tariff cut for tomato paste while fresh and processed vegetables from Greece enter duty free as a result of the 1962 Association Agreement. Spain will also obtain an advantage over third country suppliers which at present enjoy more favourable treatment, including Egypt, Cyprus, Israel, Turkey, Algeria, Tunisia and Morocco.

On the whole, prices received by producers and paid by consumers in the Three are lower than in EEC-9. In the EEC, intervention measures only apply to tomatoes and cauliflowers. It is assumed that the Three will preserve their price advantage. The opportunities for export to the protected EEC-9 market should have a stimulating effect on production, especially in Spain and Greece. As Spain and Greece have many areas with favourable environments for vegetable production, especially for out-of-season and early cropping, they would be in a favourable position to obtain larger market shares.

Entry thus will constitute an encouragement for vegetable production in Spain (including the Canary Islands), in Greece, and in the longer term,probably in Portugal. In the Nine this will be to the detriment of winter vegetable producers in Italy and southern France, and of hothouse producers in the other member states. Third country suppliers will also be affected. For cucumbers, the countries affected would be Bulgaria, Romania and Hungary; for winter tomatoes, Morocco in particular, but also Israel, Bulgaria and Romania; for green peppers, eggplants, courgettes, french beans, carrots, celery and others, Israel, Cyprus, Morocco and Tunisia but also many African countries including Kenya, Ethiopia, Senegal, Upper Volta, Niger and the Ivory Coast,which have started to grow out-of-season vegetables for shipment to the European market. Finally, in the case of onions and garlic, Egypt, Chile, Israel, Argentina and eastern Europe. It remains to be seen to what extent the trade diverting effects of enlargement actually materialize. But it seems highly likely that market opportunities for third countries will be reduced, in particular for out-of-season produce.

TABLE 13 - VEGETABLE: PRODUCTION AND UTILIZATION IN GREECE, PORTUGAL AND SPAIN

	Greece 1975	Portugal 1976	Spain 1976
	(.	. . thousand tons . . .	. . . . .)
Production	3 677	2 197	8 199
Used for processing	943	534	1 350
Exports, fresh	62	16	653
Imports, fresh	-	17	-
Domestic supply, fresh (including losses and home consumption of producers	2 661	1 664	6 196
Export, processed (product weight)	96	126	209
	(.	. . . kg./head	. . . . . .)
Human consumption (according to national food balance sheets)	135	131 (1975)	126

TABLE 14 - STRUCTURE OF EEC IMPORTS OF SELECTED FRESH AND PROCESSED VEGETABLES, 1977

		Percent of supply originating in:					Other major third country suppliers
		Intra-EEC	Extra-EEC	of which Spain	of which Greece	of which Portugal	
FRESH VEGETABLES							
0701.45	Fresh beans from 1/10 to 30/6	30	70	44	-	-	Egypt, Senegal, Kenya
0701.54	Carrots	81	19	7	-	-	Cyprus, Israel
0701.63	Onions	46	54	23	-	-	Israel, Egypt, Chile, Poland, Hungary, Czechoslovakia
0701.83	Cucumbers from 1/11 to 15/5	55	45	22	14	-	Bulgaria, Romania
0701.83	Cucumbers from 16/5 to 31/10	94	6	-	-	-	Hungary, Romania
0701.93	Green peppers	51	49	12	8	-	Hungary, Israel, Kenya, Senegal, Ethiopia, Yugoslavia, Bulgaria
0701.95	Eggplants, pumpkins and courgettes	33	67	44	-	-	Morocco, Guadeloupe, Martinique, Kenya
0701.73	Artichokes	21	79	78	-	-	Morocco
0701.75	Tomatoes from 1/11 to 14/5	21	79	49	-	-	Romania, Bulgaria, Israel
0701.75	Tomatoes from 15/5 to 31/10	84	16	5	-	-	Morocco, Romania
0701.97	Other fresh vegetables	56	44	17	-	-	Israel, Kenya, Cyprus
PROCESSED VEGETABLES							
2002.30	Processed tomatoes (paste and peeled tomatoes) - product weight	51	49	15	13	8	Morocco, Turkey, Bulgaria, Israel, China
2002.40	Canned asparagus	5	95	10	-	-	Taiwan, Brazil, Mexico, Hong Kong
2002.95	Green beans	64	36	2	-	-	United States, China, Morocco
2002.98	Other canned vegetables	84	16	8	0.3	-	Israel, Taiwan, Yugoslavia

A special situation will exist in the case of tomato products where the Community will include the world's largest exporters of paste (Italy, Portugal, Greece and Spain account for about 70 percent of total exports) and canned tomatoes (Italy and Spain alone export more than 75 percent of the world total). As a result, market developments for these items will be increasingly affected by EEC policies. The support system for processed tomatoes (based on aid to processors purchasing supplies at minimum growers' prices) if maintained at current real levels, is expected to encourage a substantial increase in production, particularly in Greece. Provision may therefore be necessary for output control, taking into account market opportunities both within and outside the Community.

FRUITS

A. TEMPERATE FRUIT, NUTS AND CITRUS

Production, consumption and trade

In the Nine, output of fruit has fluctuated widely in recent years, around an average of 14 million tons but without showing a clear trend. Dessert apples and pears are dominant with a share of almost two thirds of the total. In the Three, production amounted to about 5.2 million tons in recent years (Table 15). In Spain and Greece, fruit production shows a rising trend: between 1970 and 1976 1/ the overall increase was 70 percent in Spain and 50 percent in Greece. In Portugal, fruit output is relatively stable.

The Three, but especially Spain and Greece, would therefore add a substantial volume to the output of crops for which the EEC-9 has had to cope with temporary surpluses in the past, vis. apples, pears and peaches. The largest part of output is for the domestic fresh market - over 90 percent in Portugal, 80 percent in Spain and 70 percent in Greece. Domestic consumption of temperate fruits, including their products, amounts to about 100 kg per head per year in Greece, 70 kg in Spain and 50 kg in Portugal; this compares with an average of around 60 kg in the EEC-9.

While the EEC-9 is a net importer of fruits and nuts, with a self-sufficiency ratio of approximately 80 percent, Spain and Greece are net exporters. The two countries export 11 and 27 percent respectively of their fruit output in fresh and processed form. The main export markets are the Member States of the EEC-9. Spain also imports some fruits, a large part consisting of walnuts from the United States. Portugal exports small quantitites of chestnuts and almonds.

Italy is the only producer and exporter of citrus fruit in the EEC-9 (apart from a small production in Corsica), and the self-sufficiency ratio of the Community amounts to only 42 percent. Italy supplies about 8 percent of the import requirements of the other EEC member countries; almost half of Italian export shipments are sold to third countries. Portugal produces citrus fruit for domestic consumption, but in Spain and Greece the industries are geared to exports. During the winter marketing period, from October to June, Spain is the most important supplier to the EEC of fresh oranges, mandarins, clementines and lemons. Greece is only a minor supplier in the EEC. The main outlets for its fresh and processed orange and lemon exports are eastern European countries (Table 16).

For fresh oranges and tangerines, the existing import deficit of the Nine would be substantially offset by the addition of the Three. For lemons, the enlarged Community would be a net exporters. However, for orange, lemon and mandarin products only 40 percent, by value, of gross EEC-12 imports would originate in EEC countries. As none of the prospective members of the enlarged EEC grows grapefruit to any extent, the EEC would continue to depend on outside supplies for its requirements.

National market regulations and their adjustment

National regulations for fruits in the Three are rather similar to those in force for vegetables. Government support in Greece takes the form of direct income supplements, reimbursements, or export and transport subsidies to producers, processors and exporters of peaches, apricots, table grapes, apples and citrus. In Spain, exports of deciduous and citrus fruits benefit from a tax rebate and from an export payments insurance coverage, while in situations of heavy supplies and marketing difficulties, special marketing and transport aids are granted. Producers of fruits and citrus also benefit from the provision of subsidized inputs, and pest and disease control programmes, including the

1/ 1977 was an exceptionally bad year and final 1978 data are not yet available.

TABLE 15 - PRODUCTION AND UTILIZATION OF FRUITS AND NUTS 1/ IN GREECE, PORTUGAL AND SPAIN, 1976

	Greece	Portugal	Spain
	(. . . . . thousand metric tons . . . . .)		
Production	1 306	519	3 390
Utilized for processing	140	20	320
Exports, fresh	248	12	260
Imports, fresh	-	-	30
Domestic supply, fresh (including losses and auto consumption of produce)	918	487	2 840
Exports, processed (product weight)	108	-	115
	(. . . . . kg per head . . . . .)		
Human consumption (according to national food balance sheets)	ca 100	ca 50	ca 70

1/ Including dessert apples, pears, stone fruit, nuts, soft fruit, fruits of other woody plants and table grapes but excluding citrus, tropical fruits and dried fruits.

TABLE 16 - STRUCTURE OF EEC-9 IMPORTS OF FRESH AND PROCESSED CITRUS FRUIT, 1978

	Oranges fresh	Tangerines Mandarins fresh	Lemons fresh	Grapefruit fresh	Total 1/ fresh citrus	Processed 2/ citrus products
	(. . . . . percent . . . . .)					
Imports originating						
Intra-EEC-9	7	4	26	8	8	20
Extra-EEC-9	93	96	74	92	92	80
of which:						
Greece	2	-	2	-	1	3
Spain	39	78	52	1	42	14
Morocco	12	15	-	-	10	3
Tunisia	2	-	-	-	1	-
Cyprus	2	-	4	12	3	3
Israel	18	-	1	44	17	20
Brazil	2	-	-	-	1	25
Argentina	1	-	-	4	1	2
United States	2	-	8	17	4	7
South Africa	11	-	3	8	8	7

1/ Based on volume.
2/ Based on value.

replanting of citrus trees infested by tristeza. All of these measures will have to be abolished and replaced by the CAP, especially the intervention system which is in force for fresh apples, pears, peaches, table grapes, oranges, mandarins and lemons, and processing aids which are given for canned peaches, William pears, and cherries preserved in syrup, and oranges and lemons.

The Three do not allow the free importation of fruit. Upon entry, these restrictions will have to be abolished for trade between the Three and the Nine, while in trade with third countries the CCT and the reference price system (applicable to apples, pears, peaches, cherries, plums, table grapes, oranges, mandarins and lemons) will have to be phased in. The new members will benefit from subsidies granted by the EEC on exports to third countries for a number of fresh and processed fruits and from special marketing premiums for sales of oranges, mandarins and lemons to other EEC member countries.

Effects of enlargement

The Three will obtain free access to the markets of the Nine, whhich will improve their competitive position vis-ā-vis other suppliers both within the Community and in third countries. Spain will benefit most from this as its exports of fresh and processed fruit items currently bear the full rate of the CCT on top of the reference price barrier. On fresh citrus fruit, Spain already benefits from a reduction in the CCT rate, but this reduction is less than that enjoyed by Spain's main competititors, e.g. Morocco and Israel. In addition, abolition of import controls on intra-trade in the Three could have some trade-creating effects, especially for some flows of fresh fruit into Portugal where prices are high. These two groups of factors are likely to stimulate production in some regions but may restrain it in others, e.g. Portugal. But an expansion of production will depend not only on price expectations and market opportunities, but also on the availability of suitable land and irrigation.

Temperate fruits

The main impact of enlargement is likely to be felt in the field of table grapes and stone fruit, especially peaches and apricots. Production of table grapes has been increasing more rapidly in Greece than in Spain and this tendency is expected to continue. During the main season (August-November/December), the EEC-9 is already to a large extent self-sufficient and the EEC-12 would become a net exporter during this period. The countries mainly affected would be the competing suppliers such as Cyprus, Turkey and Bulgaria. Competition between Spain, Greece, Italy and France is also likely to increase, especially as there are still quantitative limitations on shipments of Spanish table grapes to the French market.

Peaches and apricots are important export crops in Spain and especially in Greece, where production is expected to grow further. As there have been gluts in the past, it is possible that intervention for peaches may be necessary in the Three in some years. The Twelve would have no import requirements for fresh peaches (except for a small volume of out-of-season imports) and, during the European marketing period from June to September, it would become a net exporter.

Competition within the enlarged Community would increase. In recent years, Greek peach exports to the EEC-9 have already faced growing marketing difficulties and low prices. This led to the application of countervailing levies and, in a few instances, to the closure of the EEC border to imports from Greece. The Greek Government has itself ordered the suspension of exports at various times. Competition would also increase on third country markets, especially when the EEC-12's exports are aided by subsidies. This would be to the detriment of the relatively small shipments of competing suppliers such as Bulgaria, Romania, Morocco and Israel. The case of apricots is similar. About 80 percent of total fresh imports into the Nine are supplied by Greece and Spain. When Spain enjoys the same 25 percent tariff protection as Greece, it is likely that the present third country suppliers (Tunisia, Hungary and Israel) will be completely squeezed out of Community markets.

The assistance provided to canned peaches in the EEC could encourage expansion of output of this crop for processing. If Greece, Spain and Italy try to increase their share of EEC markets (and elsewhere), this would displace mainly third countries such as South Africa, the United States and Australia which, because of quality advantages, have until now maintained a substantial market share, especially in the Federal Republic of Germany and the United Kingdom. Despite growth in exports to other EEC countries, however, surpluses of canned peaches could develop, thus

requiring the implementation of measures to limit the quantities entitled to receive processing aid.

Processed apricot imports of the Nine come mainly from Spain and Greece, 25 percent each, Morocco and Tunisia 30 percent, and the remainder from South Africa and Israel. The attainment of duty-free access by Spain could thus result in some trade diversion to the detriment of supplies from third countries. The same could happen to other fresh and processed stone fruit, notably fresh plums, in which Spain already has a one third share of EEC-9 imports, as well as almonds to some extent. As far as other nuts are concerned, the impact of enlargement on third countries would be minimal.

For dessert apples and pears, enlargement is not likely to have detrimental effects on third countries' opportunities. The Three produce mainly for the home market, although Spain has gained some importance as an exporter of early pears. However, the Spanish apple crop has increased rapidly in recent years, and further rises in output - especially of varieties of the Delicious group - are in prospect. There have already been disposal problems for early pears. Competition in the Twelve during the main European marketing period for apples and pears would therefore intensify, and there could be a need for increased intervention. On the other hand, liberalization of imports in the Three could provide increased opportunities for trade in apples and pears between all twelve countries, as was the case when trade was liberalized in the Six and later in the Nine. During the off season, third country suppliers from the southern hemisphere might have an opportunity to ship to the newly liberalized markets of the Three.

Citrus fruit

One of the important consequences of enlargement would be a significant change in the degree of support in the Three. In particular, there would be substantial support to Spanish and Greek export sales of citrus to the EEC-9 as well as to third countries. In addition to the possibilities for intervention in periods of glut, support is provided for processing otherwise unmarketable oranges and lemons. All these measures would result in considerable financial transfers to the citrus sector of the Three and would have a stimulating effect on production in Spain and Greece, as the level of EEC intervention prices is higher than their producer prices, especially those of oranges and tangerines. However, due to the long gestation period of the crop, this would materialize only after a longer period of time. The degree of final expansion will depend on the availability of irrigated areas with suitable soil and climate. These constraints play a more important role in Greece than in Spain. Nevertheless, some accelerated growth in output can be expected by 1990. It will be relatively small for lemons and oranges but more significant in the case of clementines and similar types, mostly in Spain (Table 17).

Due to the increased prices, demand for citrus would be somewhat reduced in Spain and Greece. In Portugal, however, domestic citrus prices are much higher than those in the EEC. The liberalization of trade would attract imports into Portugal and result in lower prices, which would probably depress production but boost consumption, especially as per caput intake levels are still relatively low. Entry of the Three will substantially reduce the import requirements of the EEC-12 for oranges. With accelerated growth in output of clementines, the export surplus of these fruits in the EEC-12 by 1990 is projected to be 115 000 tons greater, due to enlargement, than in the original projections, but the projected export surplus of lemons would remain unchanged.

Within the enlarged Community, Italy will face the increased competitiveness of Spain and Greece, while the main third country competitors for fresh citrus which will be affected are Israel, Morocco, Cyprus and Tunisia. However, the trade diverting effects of the changes in the competitive situation, to the advangage of Spain in particular, are likely to be relatively limited. Spain already sends 90 percent of its exports to the EEC-9, while Italy and Greece have established outlets in eastern Europe. Not all of the fruit sold there would meet the quality and presentational requirements of the Community markets, so diversion of that fruit to the Community might not prove feasible even if such shipments benefited from larger support. The main effect will be on clementines, satsumas and the like, where third country suppliers, Morocco in particular, will almost certainly find their sales possibilities in the EEC reduced because of increased supplies from Spain and the gain in their competitiveness. Aids for processing of oranges and lemons could lead to a larger supply of citrus products, although the enlarged Community would continue to depend on third countries for a large part of its requirements.

TABLE 17 - CITRUS FRUIT EXCLUDING GRAPEFRUIT: EFFECT OF ENLARGEMENT ON 1990 PROJECTIONS OF DEMAND, PRODUCTION AND TRADE

	1975-77 Average			Original Projections to 1990			Effects of EEC prices on:		
	Production	Consumption	Net-trade	Production	Demand	Net-trade	Production	Demand	Net-trade
	(. . . . . thousand metric tons . . . . .)								
Oranges									
Greece	486	178	- 399	800	275	- 525	850	240	- 610
Portugal	114	112	+ 1	148	153	+ 5	120	220	+ 100
Spain	1 846	873	-1 076	2 130	1 190	- 940	2 200	1 100	-1 100
Total 3	2 446	1 163	-1 474	3 078	1 618	-1 460	3 170	1 560	-1 610
Total 9	1 699	5 295	+3 975	2 630	6 510	+3 880	2 630	6 510	+3 880
Total 12	4 145	6 458	+2 501	5 708	8 128	+2 420	5 800	8 070	+2 270
Mandarins, Tangerines and clementines									
Greece	31	25	- 4	60	45	- 15	60	45	- 15
Portugal	16	10	-	20	20	-	18	23	+ 5
Spain	711	125	- 587	950	230	- 720	1 050	210	- 840
Total 3	758	160	- 591	1 030	295	- 735	1 128	278	- 850
Total 9	376	1 003	+ 650	555	1 110	+ 555	555	1 110	+ 555
Total 12	1 134	1 163	+ 59	1 585	1 405	- 180	1 683	1 388	- 295
Lemons									
Greece	190	91	- 115	300	110	- 190	300	110	- 190
Portugal	21	19	-	25	25	-	20	35	+ 15
Spain	268	85	- 182	450	130	- 320	460	130	- 330
Total 3	479	195	- 297	775	265	- 510	780	275	- 505
Total 9	805	940	+ 202	800	1 140	+ 340	800	1 140	+ 340
Total 12	1 284	1 135	- 95	1 575	1 405	- 170	1 580	1 415	- 165

B. BANANAS

Banana imports into the Three range on average from 320 000 tons per year (8-9 kg per head) in mainland Spain and 60-70 000 tons (7-8 kg per head) in Portugal, to only 3 000 tons (0.3 kg per head) in Greece. Spain's imports are all drawn from the Canary Islands and are domestic shipments. The Canary Islands export a small quantity (10-20 000 tons), mainly to North Africa. Portugal draws two thirds of its supplies from its overseas province of Madeira, and the remainder from Angola and Mozambique. In the late sixties, Greek imports rose to around 20 000 tons per annum but, faced with foreign exchange difficulties, the Government severely restricted imports through a rigid licencing system. In addition to import licences, Greece applies an import duty of 4.2 drachme per kg (about 100 percent ad valorem). Portugal applies a duty of 3.20 escudos per kg on imports from countries (including Angola and Mozambique) receiving MFN treatment, and 6.40 escudos per kg for all other countries, equivalent approximately to 25 and 50 percent ad valorem respectively.

Because of varying interests and traditional trading structures, no proposals have yet been submitted for including bananas in the CAP, although provision for this exists in the Treaty of Rome. Individual import regimes continue to apply, except that the Three will have to align their tariffs with the CCT of 20 percent ad valorem. Imports from Community producers and ACP countries will be admitted duty free.

The abolition of duties could in theory provide some incentive for Spain (Canary Islands) to increase exports to other member states, but past experience shows that tariff preference alone is not sufficient to enable Community and ACP suppliers to gain a significant foothold in those markets (Federal Republic of Germany, the Benelux countries, Denmark and, to a certain extent, Italy and Ireland) where the free market suppliers of Latin America have traditionally been dominant. Any increase in Greek imports will be linked to a relaxation or elimination of licencing and quota provisions which, if applied universally, would be more likely to benefit low-cost third country suppliers than Community or ACP producers. Similarly, alignment of Portuguese tariffs to the lower CCT could benefit third country suppliers as much as preferential exporters.

COTTON

Cotton production is not an important activity in the EEC-9. A small quantity is produced in southern Italy. In Portugal, production is also insignificant. However, in Greece, raw cotton production has more than doubled since the mid-sixties to 130 000 tons on average during 1975-77. Production in Spain dropped from 63 000 tons in the mid-sixties to 43 000 tons on average during 1975-77. In the EEC-9, cotton mill consumption has dropped due to strong competition from man-made fibres and market penetration by low-cost producers in developing countries. As a result of market penetration, EEC imports of cotton manufactures have risen.

Cotton is not regulated by the CAP, but a flat rate aid is paid on the area of cotton grown for seed. A protocol concerning cotton has been included in Greece's accession treaty. The new regime will include a system of variable production aids given through the ginneries. In Greece there is a minimum price for growers, plus a premium paid and administered by intervention agencies. The government refunds the difference between the support and world prices. In Spain there are also minimum producer prices for seed and raw cotton, and various premiums and subsidies are granted.

Cotton is imported duty free into the EEC but manufactures are subject to quotas and tariffs. In Portugal, where the textile industry depends on imported cotton, there are no import limitations on raw cotton. Nearly 70 percent of its manufactures are exported. In Spain, raw cotton is subject to a tariff and a compensatory duty. Exporters receive a tax rebate. In Greece, cotton and manufactures are subject to tariffs. All three benefit from an annually negotiated quota of cotton manufactures in the EEC.

The producer price in Spain is fairly high compared to those prevailing in Italy and Greece. In Spain, cotton is expected to face intense competition for irrigated land. Cotton output is therefore projected to drop substantially from the 47 000 tons produced in 1978. Production may be depressed further if the current level of EEC aid to cotton is applied

TABLE 18 - COTTON IMPORTS 1977

	EEC-9	Greece	Portugal	Spain
	(. . . . . thousand metric tons . . . . .)			
RAW COTTON				
Total	733.1	18.7	107.5	72.4
of which				
- Greece	1.8	-	2.1	1.0
- developing countries	376.7	11.4	69.8	44.6
MANUFACTURES (raw cotton equivalent)				
Total	786.4	15.5	5.0	3.5
of which				
- Greece	50.6	-	0	0
- Portugal	13.2	0.2	-	0.1
- Spain	18.5	0.1	0	-
- developing countries	315.9	0	0	0

together with a CAP regulated producer price close to that prevailing in Italy. In Greece, price changes are expected to be small, and production is not expected to deviate from the original projections. These projected an increase in output from 153 000 tons in 1978 to 211 000 tons in 1985 due to a significant increase in yields; but because of competition for land from competing crops, very little further growth is expected in the following five years.

TABLE 19 - 1978 SEED COTTON PRICES

	Minimum price	Direct aid	Total
	(. . . . U.S. dollars/kg . . . .)		
Italy	0.55	0.20	0.75
Greece	0.65	0.07	0.72
Spain	0.85	0.12	1.03

Accession will result in the abolition of the EEC's quota system for textile manufactures in respect of the Three and increase the profitability of these markets. In 1977 they exported 80 000 tons of manufactures to the EEC-9. Currently the Three are granted preferential treatment by non-EEC countries; on accession these preferences will be abolished.

TROPICAL BEVERAGES: Coffee, Tea, Cocoa

Trade volumes (Table 20)

Much larger quantities of coffee than of tea or cocoa are consumed in Greece, Portugal and Spain. However, per caput consumption, at 4 kg, is still below that in the EEC-9. The largest share of the Greek market is taken up by arabica coffee; Brazil is the main supplier, accounting for 55 percent of all Greek coffee imports. Suppliers of robusta coffee vary from year to year depending upon availability and price. Spain - another major consumer of arabica coffee - imports arabica mainly from Brazil and Colombia. Recently, the Ivory Coast has substituted for Angola as a major supplier of robusta. Because of high prices and foreign exchange constraints, Portuguese imports fell by 35 percent in 1978. Almost 90 percent of Portuguese imports are of the robusta variety, although production difficulties in Angola have resulted in a recent diversification of supply sources.

Greece and the two applicants import small quantities of tea, reflecting low per caput consumption levels of about 30 grammes per annum. This is in marked contrast to the EEC-9, which accounted for over one third of world imports in 1976-78, the major part being imported into the

United Kingdom. Per caput consumption in the Nine averages about 900 grammes per annum, ranging from 3-4 kg in the United Kingdom and Ireland to 100 grammes or less in Belgium, France and Italy. About 90 percent of the EEC-9 imports are in bulk, direct from countries of origin, most of the remainder consisting of re-exports from the Netherlands and the United Kingdom.

TABLE 20 - IMPORTS OF COFFEE, TEA AND COCOA BEANS (1977 - 1 000 tons)

	Coffee	Tea net imports	Cocoa beans
Greece	10.8	0.3	4.1
Portugal	12.2	0.3	1.1
Spain	82.4	0.7	34.5
EEC-9	1 157.9	261.2	468.2

Note: Includes intra-community trade.

Per caput consumption of cocoa in the EEC accounts for about 1.8 kg per year, while that of Greece and the two applicants varies between 270 grammes in Portugal and 660 grammes and 680 grammes in Spain and Greece respectively. Two thirds of cocoa bean imports into Greece originate in ACP countries; and almost all cocoa products are supplied by the EEC-9. Cocoa bean imports into Portugal are small, and have steaily fallen in recent years. Most beans originate in ACP countries. Of the Three, Spain is by far the largest importer of cocoa beans, but purchases have fallen because of high prices aggravated by the withdrawal of a provisional exemption from tariffs on unroasted cocoa beans. Twenty-five to 30 percent of Spanish imports originate in Brazil and the remainder in Africa. No cocoa products are imported.

The impact of enlargement

In all three countries, imports are subject to an ad valorem or specific tariff which will be replaced by the CCT on enlargement (Table 21). Both Greece and Spain offer concessions on most of these products to imports from the Nine. Portugal currently applies a 10 percent import surcharge to some products; and in Spain there is a home compensation tax on imported goods which will presumably be incompatible with EEC legislation.

The net change in retail coffee prices on enlargement will probably be a fall of 6-8 percent in Spain and increases of 4-5 percent in Greece and 5 percent in Portugal, assuming that the real cost of coffee imports remains between 150-200 U.S. cents per lb. Price elasticities of demand in the Three are likely to be very small; thus these small price changes are unlikely to affect consumption. In Greece and Spain, the preference for arabica coffee is likely to remain after accession. Preferential EEC suppliers, with the exception of Kenya, Tanzania and Ethiopia, mainly produce robusta. Thus, these three exporting countries might benefit to a greater degree from improved market access, provided supply conditions permit. Other ACP countries may also increase their share of the smaller robusta market. In Portugal, robusta is likely to remain dominant, and ACP suppliers may significantly increase market shares. Angola could again become a significant exporter to Portugal, if it joins the Lomé Convention and overcomes some of its current production difficulties. The likelihood, however, is that Portuguese importers would prefer to trade with a larger number of countries than in the past.

The increment in tea consumption in Greece and the two applicants will be marginal in relation to total EEC demand. The impact on retail prices through adoption of the CCT, and the stimulus to incomes resulting from Membership, could result in an additional demand in the Three in 1990 of around 8 percent. This could encourage re-exports from other Member States, but the provisions of the Lomé Convention and the GSP (zero tariffs on processed products) should offer an opportunity to developing countries to promote direct sales of packet teas and other tea products at competitive prices.

For cocoa beans, the EEC's MFN tariff of 4 percent is so low that any significant shift in sources of supply is unlikely. In Portugal and Greece, the price reduction to be expected is very low, and the impact on demand should be negligible. In Spain, however, the reduction in tariffs could result in an increase in demand of between 5 and 7 percent (at a price elasticity of demand of between -0.5 and -0.6). The stimulus to economic growth might increase consumption in the Three by some 2 percent, or 600 tons.

TABLE 21 - SUMMARY OF IMPORT TARIFFS

	EEC			Greece		Portugal	Spain	
	MFN	ACP	GSP	MFN	EEC		1/	2/
	(. . percent . .)			(paper drachma/kg)		(escudos/kg)	(. . percent . .)	
Tea				61.5	61.5	36[4/]		
- bulk	zero	zero[3/]	zero				15[5/]	8
- packets	5	zero[3/]	zero				20[5/]	8
Extracts of tea	12[6/]	zero[3/]	zero	159.5	102.7	36[4/]	40.5[5/]	12
Green coffee	5	zero		zero	zero	2.8	7	8
Roasted coffee	15	zero		16.8	16.8	10[7/]	27	9
Extracts of coffee	18	zero	9[8/]	49.1%	26.4%	36[7/]	30[5/]	12
Cocoa beans	3	zero				2.4		
- raw				6	6		26.5[5/]	5
- roasted				52.5%	52.5%		35[5/]	6
Cocoa paste	15	zero	11	31.2	13.8	10[9/]		
- less than 20 percent fat							24.5[10/]	11
- more than 20 percent fat							33.5[10/]	10
Cocoa butter	12	zero	8[11/]	7.5	4.2	1.6	35[10/]	11
Cocoa powder	16	zero	11	31.2	13.8	20	35[10/]	11

Note: Based on information available to FAO at time of writing.

1/ The full tariff rate is often reduced on a temporary basis.
2/ Home compensation tax levied on the c.i.f. value and the full duty rate.
3/ And Turkey.
4/ 72 escudos per kg if not from country of origin.
5/ 60 percent reduction for imports from the EEC.
6/ 1.2-5.4 percent for some countries.
7/ Subject to a temporary 10 percent import surcharge.
8/ Subject to quota: 18 750 tons.
9/ Imported free by national chocolate manufacturers.
10/ 25 percent reduction for imports from the EEC.
11/ Subject to quota: 21 600 tons.

FORESTRY PRODUCTS

Patterns of production, consumption and trade

The EEC-9 consumes some 45 million m^3 of sawnwood, 20 million m^3 of wood-based panels and 28 million metric tons of paper. For this it is substantially dependent on imports to the extent of nearly 50 percent in the case of sawnwood, 15 percent of panels, 25 percent of paper and 50 percent in the case of wood pulp used in the manufacture of paper. Thus, although certain countries have a major export trade in wood products, all member countries import a substantially greater value of wood products than they export.

The consumption by these countries of sawnwood is projected to increase by 20 percent, of panels to double, and of paper to increase by 70 percent by 1990. Due to constraints on the domestic supply of wood raw material, production will increase to a lesser degree than consumption and the Nine may be expected to increase their dependence on imports.

Greece, Portugal and Spain, taken together, would account for more than 10 percent of the production of forest products by the Twelve. Portugal's exports exceed imports for all the main processed forest products. It exports 30 percent of its sawnwood production and 40 percent of its production of paper pulp. Greece is dependent on imports for 50 percent of its sawnwood consumption and 25-30 percent of its paper and wood pulp. Spain is dependent on imports for 30 percent of sawnwood and 10-15 percent of its paper and wood pulp consumption. All three countries are significant importers of unprocessed logs, mainly from West Africa and South-East Asia. Spain also imports a substantial volume of tropical sawnwood from these regions. Half the exports of wood products of Portugal and Spain go to EEC member countries (two thirds of Portugal's pulp exports have that destination). Only a small proportion of the three countries' imports originate in the EEC. Portugal accounts for 50 percent of the world's production of cork, Spain 25 percent, Italy and France 10 percent. About one quarter of Portuguese cork production is exported, 60 percent of that to EEC countries.

The increase in consumption of the main wood products by the Three is projected to be of the order of 70-80 percent by 1990. Projected consumption growth in Greece would be mainly met by increases in imports. In Spain, production may be expected to keep pace with consumption, but the country will remain a net importer. Portugal, on the other hand, may be expected to increase its production by as much as, or more than, the increase in consumption, and thereby increase its capacity to export forest products.

A most important determinant of the potential to change the levels of production is the availability of forests and land suitable for tree growing, from which to derive the raw material. Though there is some potential for increased production through changed management of existing forests in parts of the EEC-9, the likelihood of significant increases in forest area is small. In Greece, the potential for increased production is constrained by the limited availability of land with a high potential for tree growth, and the further constraint on obtaining tenure unencumbered by rights of common usage. In Spain and Portugal, there are substantial areas of land suitable for productive forestry and they both have substantial afforestation activity. Increases in the area under productive forest by the year 2000 - 40 percent for Spain and at least 25 percent for Portugal - have been indicated. There is a potential in these countries for an appreciable area of fast growing plantations. In Spain, there is a major programme of afforestation for protective and social reasons as well as for timber production. This is in part carried out directly by the state forest agency and in part by supporting private owners.

National market regulations

Forestry and forest products, with the exception of cork, are not included under the CAP. However, the EEC does have a reafforestation programme in its Mediterranean regions; and the Commission has recently submitted to the Council proposals which seek to coordinate the forestry policies of the Member States.

The tariffs relating to forest products of the three countries are generally high compared with the EEC external tariff. Between Portugal and EEC countries these have, as for other European Free Trade Area (EFTA) countries, been reduced to a nominal level. Spain has made percentage reductions, usually of 25 percent, in the rate applying to imports of forest products from EEC countries.

Among the current EEC countries, most have

TABLE 22 - PRODUCTION, CONSUMPTION AND TRADE IN FOREST PRODUCTS

	1975-77 average			Projections to 1990		
	Production	Consumption	Net trade	Production	Consumption	Net trade
EEC-9	(. . . . . million m^3 . . . . .)					
Sawnwood	24.6	45.6	21.0	27	55	28
Wood-based panels	15.8	19.1	3.3	30	40	10
	(. . . . . million metric tons . . . . .)					
Paper	21.1	27.9	6.8	35	47	12
Pulp for paper	5.3	12.2	6.9	10	26	16
GREECE, PORTUGAL, SPAIN	(. . . . . million m^3 . . . . .)					
Sawnwood	4.6	5.5	0.9	5.5	6.0	0.5
Wood-based panels	1.9	1.8	-0.1	2.9	3.5	0.6
	(. . . . . million metric tons . . . . .)					
Paper	2.6	2.8	0.2	3.2	4.8	1.6
Pulp for paper	1.6	1.6	0	2.3	2.4	0.1

(-) net export.

a substantial forestry activity carried out by a state forest agency. There is also support provided for private forestry. This is also true for the Three; in Spain, for example, the state forestry organization has an annual expenditure exceeding U.S.$100 million. Spain also spends nearly $10 million in supporting private forestry, accounting for 40 percent of the expenditure in the private sector.

Fiscal treatment of forestry varies widely among the 12 countries, and is most important in determining the extent of private sector involvement. Forest industries are treated, in general, similarly to all industrial and commercial activities.

Adjustment in national market regulation

Unification of the tariff systems have some effect in increasing the flow of forest products from neighbouring common market countries. The favourable treatment of EFTA members has no doubt contributed to the growth of Portugal's exports to EEC countries. Adoption of the CCT will reduce the cost of imports, particularly from developing countries, and may particularly favour imports of sawnwood and wood-based panels from the latter. An increase in imports of tropical logs is unlikely in view of the increased restrictions being placed by exporting countries on the export of unprocessed wood raw material.

Impact of the enlargement

The effect of entry in the three countries may be a reduction in the cost of imported wood products due to lower external tariffs, particularly favouring imports of wood products from developing countries. The export trade to other member countries would be favoured by membership.

The important question for forestry in Spain, and perhaps even more important for Portugal, will be the comparative advantage of the extensive types of agriculture which are currently carried out on land which might be converted to productive forestry, the availability of which will, to some extent, determine the growth of forestry and forest products production.

FISHERY PRODUCTS

Current situation

Enlargement of the EEC will make a considerable difference to the size and structure of the fisheries sector. Based on 1978 data, the addition of production from Spain, Portugal and Greece will increase the quantity of fish landed

TABLE 23 - FISH AND FISHERY PRODUCTIONS: 1977 BALANCES

		Production	Imports	Exports	Total supply	Per caput supply (kg)
		(. . . . . thousand metric tons live weight equivalent . . . . . .)				
Greece	Food	106	50	10	146	16.2
	Feed	-	18	-	18	
Portugal	Food	292	121	68	346	39.1
	Feed	8	59	-	67	
Spain	Food	1 282	195	276	1 201	33.4
	Feed	173	46	1	218	
TOTAL: Three	Food	1 680	366	354	1 692	31.5
	Feed	181	123	1	303	
EEC-9 1/	Food	3 164	1 475	429	4 210	16.1
	Feed	1 768	2 859	886	3 741	

1/ Imports and exports exclude intra-Community trade.

by 35 percent and its first-hand sale value by 64 percent. With a total production of over 6 million tons, the enlarged Community will become the fourth largest producer in the world after Japan, the U.S.S.R. and China. The impact on trade, though important, will be less dramatic with the Three, adding (at current prices) some $200 million - or 10 percent of the value of EEC-9 imports from third countries. The social implications of enlargement are also important. Employment in the fisheries sector will double with the addition of many fishermen from the Mediterranean, where the industry has a significant social role belied by the low catches but where the high price of fish allows the sector to provide employment and income to a large number of people.

Fish also plays a much greater role in the dietary pattern of the Three than it does in the Nine. In Portugal, with an annual per caput consumption of 40 kg, fish accounts for one third of animal protein supplies, and in Spain over one fifth, the two highest ratios in Europe. In Greece, fish is also a significant item in the diet; of the EEC-9 countries, only in Denmark and Italy does fish make a greater contribution to protein supplies. Most fish landed by the Three is in fact used for direct human consumption, in contrast to the Nine where some 35 percent is used for fish meal - mostly produced by Denmark.

Impact of enlargement on production

The main implications for production are concerned with access to fishing grounds, a problem which has so far prevented the formulation of a Common Community Policy on this problem among the Nine. So far as the effect which the Three might have on the shape of an eventual policy, the balance of interest probably favours relative freedom of access. All Three have developed distant water fisheries, but Spain in particular has been hard hit by limit extension in some important cases by EEC-9 countries. In the mid seventies, for example, Spanish fishermen were taking some 200 000 to 300 000 tons from the Bay of Biscay, a significant proportion of which has been denied to them by the extension of French fishery limits (in the Atlantic) to 200 miles. A policy of free access for Community vessels in Community waters would permit Spanish fishermen to recoup at least some of these losses, as well as those recently incurred around the United Kingdom and Ireland.

In the Mediterranean, where the Three take some 200 000 tons annually compared with 400 000 tons by the Nine, there is at present little or

no fishing by any of the countries concerned in the waters of each other. The continental shelf in the Mediterranean is generally narrow (the fact that no European country has extended its limits in the Mediterranean is recognition of this), resources are generally not abundant, and it seems unlikely that any eventual policy of free access within the EEC would see the development of foreign fisheries by the four countries concerned in each other's waters.

Enlargement also has implications where negotiations with third parties are concerned. Thus, where an agreement to fish in the waters of some third country is negotiated by the EEC on behalf of member countries, the eventual quota allocated will need to be shared between a greater number of participants. This is particularly important off the coasts of North-west Africa, where at least two of the Nine, and Greece and the two applicants, have, on historic grounds, some claim to a share in any quota. At the same time the coastal states are sensing the pressure for larger quotas that this might generate, and are adopting a more cautious negotiating position.

One other related aspect of enlargement should be mentioned. The addition of two countries having major Mediterranean fisheries may give the special problems of this area greater weight in the deliberations of the EEC, which have hitherto been dominated by North Atlantic and especially North Sea considerations. Mediterranean fisheries differ in many respects from those in these northern areas: they are, for example, generally exploited by smaller units landing at many scattered points, the quantity of fish caught per boat and per man is smaller but prices are much higher, landings consist of a wider variety of fish, and the industry is often closely related with tourism. Mediterranean fisheries are of considerable social significance and, with the accession of Greece and Spain, there is a possibility that the special problems of this area will have a greater influence on the policy of the Community.

Impact of enlargement on trade

The Three are importers of fish on a significant scale, and with the loss of, or curtailment of catches from foreign fishing grounds they are in future likely to increase their import requirements. All the Three have either tariff or non-tariff barriers to the importation of fish, the dismantling of which should give the exporters in the Nine significant opportunities, provided they can obtain the necessary supplies. Fish prices are relatively low in Spain and the best prospects probably lie in the Greek market. Although the types of fish eaten in the Mediterranean countries differ, with the principal exception of cod, from the species caught in the North Atlantic, Italian experience has demonstrated that the lower prices for frozen fish compared with local produce and its wider availability - through an increased number of outlets - can allow considerable market penetration.

The Three are also significant exporters of fish - particularly frozen cephalopods (from Spain) and canned fish - sardine and related species (from both Spain and Portugal). Spain is also a significant exporter of mussels and frozen tuna. Although entry of these countries may lead to some displacement of imports from third countries, e.g. sardines from Norway, cephalopods from Japan, significant shifts in trading patterns do not seem probable since problems of supply are likely to inhibit any marked expansion of the fish processing industry.

Although enlargement will be an important event for the fisheries sector, it is unlikely to have much impact on total production within the Community, nor is it likely to cause major shifts in trade. The resources exploited by all present and prospective EEC countries are heavily fished and offer little or no prospect for expanded production. The main issue, at present, within the Community, is the distribution of these resources between member states, and it is on policy concerning this that perhaps the Three will have the greatest impact.

For the Three themselves, the main effect will probably be in the field of marketing and in the associated structural changes required for the implementation of EEC policy. Since the benefits of the intervention price system are payable only through producer organizations, this will lead to the creation of such organizations where they do not exist. This will be of particular importance in Greece, where the absence of cooperatives and similar organizations was noted by the Commission in its opinion on Greek application for entry to the Community. A possibly more negative aspect of the application of the EEC marketing arrangements is that they seem likely to lead to an increase in the landing of pelagic species, some of which in some areas have a limited market for direct human consumption.

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APPENDIX

NOTE ON CURRENCY EXCHANGE RATE FLUCTUATIONS

The trade values presented in this review are based on data in national currencies converted into U.S. dollars at period-average exchange rates as calculated and used by the International Monetary Fund for aggregation of international trade statistics. Since the abandonment of the system of fixed currency exchange rates in 1971, fluctuations in value of the reporting countries' currencies have been a source of additional complications in the interpretation of the significance of movements in commodity prices and trade values. The problem became more acute since 1977, with the increase in the amplitude of exchange rate fluctuations and the accelerated devaluation of the U.S. dollar against most other major currencies. For purposes of comparison, Table 1 shows the value of world agricultural trade in U.S. dollar terms and in terms of the IMF Special Drawing Rights (SDRs), a "basket" of sixteen major national currencies. Conversion into SDRs eliminates from the series some of the value component attributable to the depreciation of the U.S. dollar against the other currencies included in the SDR. It should be borne in mind, however, that the SDR is also affected, although to a lesser extent, by fluctuations in the value of the dollar.

TABLE 1 - AGRICULTURAL PRODUCTS: EXPORT VALUE IN U.S. DOLLARS AND SPECIAL DRAWING RIGHTS (SDRs) 1/

	1969-71 average	1977	1978	Change 1978/77
	(.	. million .	. . . . .)	(percent)
U.S. DOLLARS				
World	65.4	193.8	214.1	10.5
Developing	20.6	61.9	63.7	2.9
Developed	44.8	131.9	150.4	14.0
SDRs				
World	65.4	166.0	171.0	3.0
Developing	20.6	53.0	50.9	-4.0
Developed	44.8	113.0	120.1	6.3

1/ Including fishery and forestry products.

Forecasts of price changes became particularly difficult with fluctuating exchange rates, but equally complex situations arise in the analysis of the effects of dollar price changes on import demand, consumer demand, or export supply, as movements in the local value of the dollar differ from country to country. Table 2 illustrates the effect of fluctuating currency exchange rates on U.S. dollar export prices of wheat, maize and soybeans in some of the major import markets for these commodities. It shows, for instance, that notwithstanding the 24 percent increase in the average dollar price in 1978, the wheat price for Japanese importers still fell somewhat because of the appreciation of the yen against the dollar, while in the United Kingdom the dollar price increase was greatly magnified in the domestic price of imported wheat because of the substantial depreciation of the pound sterling compared to the dollar during 1978. Thus, the price to users of U.S. wheat in these two markets was affected in quite different ways by the given dollar price increase in 1978.

TABLE 2 - CHANGES IN SELECTED EXPORT PRICES IN U.S. DOLLARS AND NATIONAL CURRENCIES OF MAJOR IMPORTING COUNTRIES

	1977	1978	Change from previous year 1977	1978
	(Index 1976 = 100)		(. . . percent . . .)	
WHEAT (U.S. dollars) 1/	86	107	-14	24
Italy	91	109	9	20
Japan	78	76	-22	- 2
United Kingdom	83	114	-17	37
MAIZE (U.S. dollars) 2/	85	89	-15	6
Germany, F.R.	78	71	-22	- 9
Netherlands	79	73	-21	- 7
Italy	90	91	-10	1
Spain	96	107	- 4	7
United Kingdom	82	95	-18	16
SOYBEANS (U.S. dollars) 3/	122	115	22	- 6
Germany, F.R.	113	92	13	-18
Japan	111	82	11	-26
Netherlands	113	94	13	-17
Spain	139	132	39	- 5

1/ U.S. No.2 Hard Winter, f.o.b. Gulf.
2/ U.S. No.2 Yellow, f.o.b. Gulf.
3/ U.S. No.1 Yellow, f.o.b. Gulf.

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